

JUL 1 0 1984

Comptroller of the Currency  
Administrator of National Banks

VOLUME 3  
NUMBER 2



Office of the Comptroller of the Currency  
June 1984

## Policy Group

H. Joe Selby  
Michael A. Mancoske  
David L. Chew  
Richard V. Fitzgerald (Acting)  
James E. Boland, Jr.

## Background

## The Comptroller

# Quarterly Journal



## Office of the Comptroller of the Currency

C. T. Conover

Comptroller of the Currency

The Administrator of National Banks



---

# Contents

---

	<i>Page</i>
Condition of the National Banking System.....	1
Accounting for International Loan Fees .....	3
Speeches and Congressional Testimony.....	5
Speech by C. T. Conover, Comptroller of the Currency, before Women in Housing and Finance .....	7
Speech by C. T. Conover, Comptroller of the Currency, before the Oklahoma Bankers Association .....	9
Speech by C. T. Conover, Comptroller of the Currency, before the ABA Leadership Conference .....	12
Speech by Brian W. Smith, Chief Counsel, before the MasterCard Annual Meeting .....	13
Speech by C. T. Conover, Comptroller of the Currency, before the Foreign Banking in America Conference .....	18
Testimony of C. T. Conover, Comptroller of the Currency, before the Subcommittee on Commerce, Consumer and Monetary Affairs of the House Committee on Government Operations .....	20
Testimony of C. T. Conover, Comptroller of the Currency, before the Senate Committee on Banking, Housing and Urban Affairs .....	24
Speech by C. T. Conover, Comptroller of the Currency, before the Reserve City Bankers Association....	33
Testimony of C. T. Conover, Comptroller of the Currency, before the Subcommittee on Financial Institutions Supervision and Insurance of the House Committee on Banking, Finance and Urban Affairs .....	35
Interpretive Letters, January 15 and March 15, 1984 .....	39
Mergers, January 1 to March 31, 1984 .....	57
Statistical Tables.....	115
Financial Statements, December 31, 1983, Office of the Comptroller of the Currency .....	155
Index.....	161



# Condition of the National Banking System

With real GNP rising 6 percent, for most sectors of the economy 1983 was a year of robust recovery. That recovery was characterized by declining unemployment, increased inventory demand, a negligible rise in inflation, and expanded capital investment. The banking sector, however, lagged behind the general economic recovery and reported its second consecutive year of lower earnings.

In August the prime rate rose to 11 percent from the 10 1/2 percent level it had held since late February. That caused a narrowing of interest rate spreads. Although the resulting reduction in interest margins exerted downward pressure on bank earnings, the primary reason for the year's decline in net income was loan losses and charges to current revenue made to maintain adequate loan loss reserves.

Agricultural lenders were hard hit by a drought which affected most farming communities during the summer. Energy lenders were hurt by the reduced demand for petroleum products. In 1983, lenders to underdeveloped countries continued to restructure or renegotiate billions of dollars in foreign debt.

Earnings for the 4,751 national banks were down 1.1 percent from a year earlier. The impact was felt most by national banks with assets of more than \$300 million. Those 400 national banks accounted for more than 76 percent of total earnings of national banks. Their income was down 3.7 percent from 1982. The remaining 4,352 banks experienced a 6.6 percent increase in net income for the year.

All size categories of national banks saw their margins deteriorate during the year. The very smallest and very largest national banks were most affected. For national banks with less than \$10 million in assets, the ratio of net interest income to average assets declined 30 basis points to 5.26 percent. National banks with assets of more than \$1 billion experienced a 27 basis point decline to 3.99 percent. The remaining national banks did not have as severe a decline. National banks with assets of \$10 to \$300 million, for example, declined 17 basis points, to 4.88 percent, while national banks with assets of \$300 million to \$1 billion declined 20 basis points, to 4.50 percent.

National banks' increase in non-interest income of almost 17 percent, or \$1.9 billion, to some extent offset pressure on earnings. That increase was attributable largely to the repricing of bank services. A smaller

increase in non-interest expenses such as salaries occupancy costs, and other overhead charges also helped earnings performance. Those expenses increased only 11 percent, or \$3.9 billion for the year. The largest banks, because of their economies of scale, were the most efficient in controlling costs and expanding non-interest income.

The lingering severity of the 1980 to 1982 recession and the loan and lease problems that followed were significant factors in national banks' reduced performance in 1983. Net loan losses increased \$1.3 billion or 32 percent over 1982 levels. National banks with more than \$1 billion in assets were most severely affected. For that group, net loan losses increased \$1.1 billion, almost 35 percent higher than a year earlier.

Increases in provisions to loan and lease loss reserves had a significant impact on 1983 performance. Provision expenses were up \$1.6 billion, or 31 percent. Again, the largest national banks accounted for the largest increase. For banks with more than \$1 billion in assets, provision expenses were up \$1.3 billion, or 34 percent.

Cash dividends as a percent of net income were up for all national banks except for those with assets of \$300 million to \$1 billion. That group maintained its 56 percent payout ratio, a rate matched by banks with assets of more than \$1 billion. For the smallest national banks, the payout ratio increased from less than 34 percent to 51 percent. National banks with assets of \$10 to \$300 million saw payout increase from 41 to more than 44 percent.

Loan demand, only 8.7 percent higher than in 1982, was the primary reason that national banks expanded their securities holdings by 18.2 percent during the year. U.S. Treasury and agency securities were the most favored investments. At year-end, more than 65 percent of the securities held by national banks were U.S. government issues. Smaller national banks in particular continued to favor such investments. National banks with less than \$300 million in assets averaged almost 67 percent of their portfolios in U.S. government securities while the larger national banks held approximately 51 percent.

Although net loan losses were up significantly at year-end, loans and leases 90 days or more past due renegotiated or on non-accrual status improved somewhat over September 1983. For large national

banks saw their ratio as a percent of total loans declined to 2.7 percent from 3 percent three months earlier. For national banks, the ratio remained at 2.3 percent.

The creation of money market deposit and Super NOW accounts had a profound impact on the liability structure of national banks. In the fourth quarter, those accounts increased \$2.4 billion to \$39.7 billion. At year-end, those two deposit accounts accounted for 12 percent of the total liabilities of national banks. In individual banks, those accounts grew at the expense of demand deposits and money market certificates of deposit.

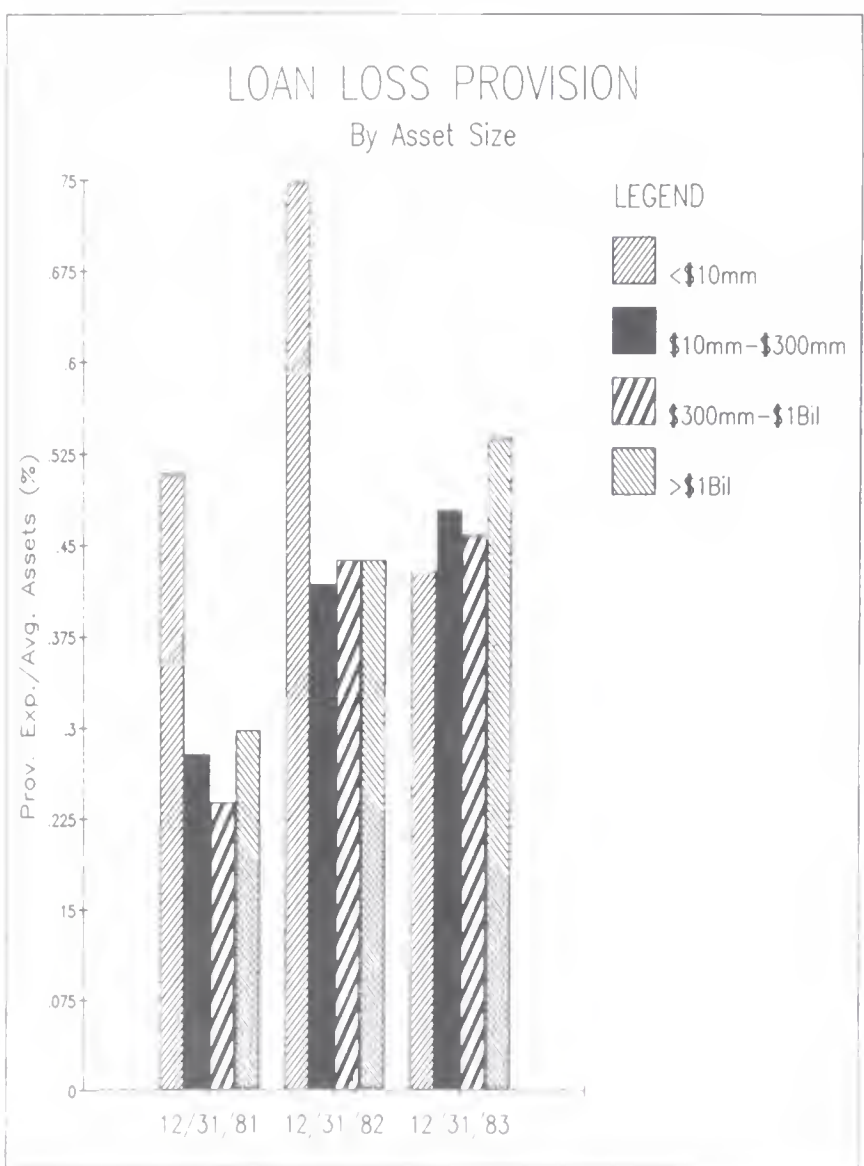
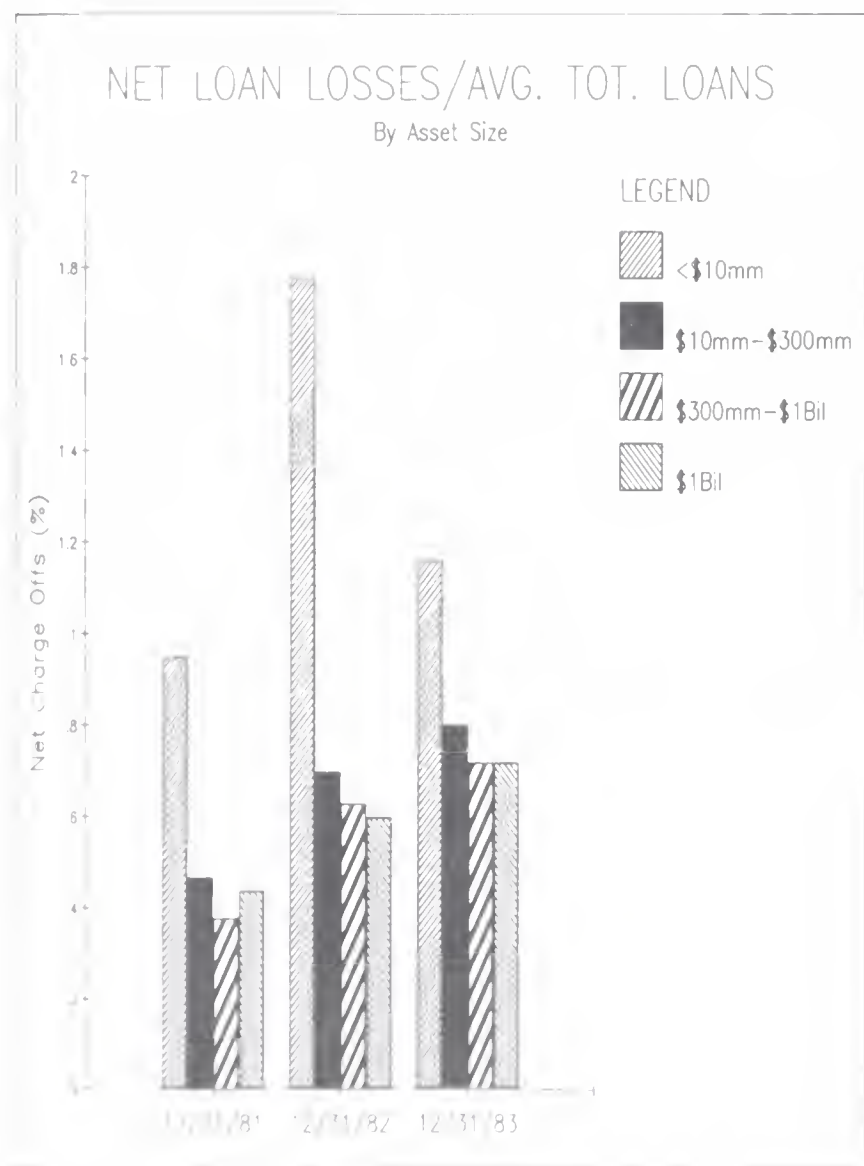
During 1983, primary capital to total assets declined for all but the smallest of national banks. National banks with less than \$10 million in assets experienced an increase in capital to assets of 5 basis points, reaching 11.59 percent. At the same time, national

banks with assets of \$10 to \$300 million saw a 28 basis point decline to 8.83 percent, those with assets of \$300 million to \$1 billion declined 11 basis points to 7.44 percent, and the largest banks declined 2 basis points to 6.41 percent.

At year-end, 602 national banks had financial, operating, or compliance weaknesses that necessitated special supervision. That represents a 7 percent increase over September 1983, and a 56 percent increase from a year earlier.

NOTE: The preceding analysis compared active national banks as of year-end 1983 to those banks in the group which were active as of December 31, 1982.

Woodrow W. Reagan  
NBE/Financial Analyst  
Community Bank Analysis Division



---

# Accounting for International Loan Fees

---

Last November, Congress passed the International Lending and Supervision Act of 1983. Section 906 of that Act directed the federal banking agencies to develop regulations relating to international loan fees to prevent improper recognition of fee income. To avoid imposing excessive debt service burdens on debtor countries, the Act prohibits charging fees in connection with a loan restructuring that exceed related administrative costs unless the fees are amortized over the life of the loan.

On March 29, 1984, the Office of the Comptroller of the Currency and the other federal bank regulatory agencies jointly issued regulations relating to fees received in connection with international loans. Those regulations apply to fees on all international loans (including loans to debtor countries) but differentiate between restructured and other international loans.

A restructured loan meets two criteria. First, the borrower must be a resident of a country experiencing transfer risk problems. Second, the interest rate must be reduced, the original schedule of payments must be extended, or new funds must be provided to enable the borrower to service or refinance the existing debt.

When a loan meets that definition, any fee in excess of applicable administrative costs must be deferred and amortized over the effective life of the loan. The effective life is generally the stated term of the loan, unless the loan is expected to be rolled over at maturity. Administrative costs are those costs specifically identified with processing and consummating the loan. They include, where applicable, costs relating to syndication.

With respect to other international loans, fees must be recognized as follows:

Commitment fees are compensation for an agreement to make funds available. They must be deferred and

amortized over the commitment period. Commitment fees on revolving loan arrangements based on the amount of the unused commitment, however, may be recognized on a cash basis, if the income recognized is not materially different.

Syndication fees are charges for services relating to the arrangement of a syndicated international loan. They can be recognized when the service is performed if:

- (1) The syndicating bank can demonstrate the fee is not an adjustment of yield. This would include ensuring that all participating banks are aware of all fees charged and that fees are identified in the loan agreement which is signed by all the parties.
- (2) The lead or managing bank's yield on its portion of the loan is at least equal to the yield received by the largest non-managing loan participant.

Agency fees are compensation for administrative duties performed or out-of-pocket expenses. They must be recognized as income when the loan is closed or when the service is performed, whichever is later.

Other loan fees that exceed identifiable administrative costs for processing and consummating the loan must be deferred and amortized over the term of the loan. Loan fees that equal administrative costs may be recognized as income currently.

These regulations are effective for the reporting period ended June 30, 1984. For restructured loans they are effective immediately.

---

Eugene Green  
Senior Accountant  
Bank Accounting Division



---

# Speeches and Congressional Testimony

---

<i>Subject</i>	<i>Date and Speaker</i>	<i>Page</i>
Competition	January 17, 1984, C. T. Conover, Comptroller of the Currency	7
Changing World of Financial Services	February 8, 1984, C. T. Conover, Comptroller of the Currency	9
Brokered Deposits	February 16, 1984, C. T. Conover, Comptroller of the Currency	12
Evolution of Financial Services	February 24, 1984, Brian W. Smith, Chief Counsel . . . . .	13
Foreign Banks, Brokered Deposits and Changes in the Federal Regulatory Structure	March 6, 1984, C. T. Conover, Comptroller of the Currency .	18
Deposit Brokering	March 14, 1984, C. T. Conover, Comptroller of the Currency	20
S. 2181 and S. 2134 .	March 21, 1984, C. T. Conover, Comptroller of the Currency .	24
Future of Commercial Banks	April 3, 1984, C. T. Conover, Comptroller of the Currency . .	33
H.R. 5301	April 4, 1984, C. T. Conover, Comptroller of the Currency . .	35



# Remarks by C. T. Conover, Comptroller of the Currency, before Women in Housing and Finance, Washington, D.C., January 17, 1984

## “Consumers Deserve More Competition in Financial Services”

Today I would like to address one of the most important consumer issues of our time—new powers for banks. In all the talk about what banks should or should not be able to do, we tend to overlook that the consumer stands to gain significantly when competition is increased in the marketplace.

In case you doubt that assertion, I'd like to conduct a little test. I will ask five yes/no questions and you count how many times your reply is “yes.” No cheating.

1. Would you like to pay a lower brokerage fee the next time you sell your house?
2. Are you interested in seeing additional sources of mortgage money and cheaper mortgage loan rates?
3. Do you want cheaper insurance rates and more flexible insurance products?
4. Would you like to see new combinations of products and services that include elements of securities investment, insurance, and traditional bank credit?
5. Are you interested in seeing your local banks become strong enough to compete in terms of products and services with the large banks and financial conglomerates?

If you answered “yes” to any one of these questions, you may not know it, but you are in favor of further deregulation of financial services and particularly new powers for banks. And if you answered “yes” to more than one, you have a vested interest in helping banks to get these powers. If you didn't answer “yes” to any of the questions you're probably in the wrong room.

You're probably wondering why the public isn't overwhelmingly in support of banks getting new powers. The answer to that question is they still don't realize that they stand to gain through better products and services, lower costs, and more convenience.

But education isn't the only answer. A problem has arisen that is threatening to derail those benefits that you affirmed earlier. That problem is rising service charges. I don't like to see higher service fees any more than you do. But I also think there is a reasonable explanation for why banks have adopted this strategy, and a reasonable way to deal with it.

### Why Ceilings Were Removed

Let's begin by looking at what has changed in the

financial service marketplace. The biggest recent change was the elimination of interest rate ceilings on deposits. Let me briefly review why that change was needed.

Before interest rate ceilings were removed, banks were only allowed to compete on the basis of service and convenience. They had no other alternatives because their prices were controlled by the government. The law said, if you want to be a bank, this is how you do business.

Given those ground rules, banks invested in expensive branch systems so that you would never have to walk very far to use their services. And they hired a lot of tellers, so they could provide quick and efficient service. Naturally, this resulted in high operating costs, but the high costs were offset by the low rates the government required them to pay on time deposits.

Then came double digit inflation and a whole host of securities firms and other businesses that are not subject to the same rules banks are. They came armed with new technology and with money market mutual funds, and they had a field day at the banks' expense.

Not saddled with a costly delivery system and a limited product line, these new competitors marketed their services primarily on the basis of interest rates paid and targeted the banks' most profitable customer segment—those with high balance accounts. Naturally consumers withdrew their savings from banks, and took advantage of the higher yields these new competitors promised.

In reaction, Congress allowed banks to pay market rates on time deposits and the picture changed again. Banks regained many of their lost deposits, but lost the earnings they once got by paying low interest rates. They are still stuck with those expensive branch systems that grew up in an earlier era. Now they are forced to make up for those lost earnings somewhere else.

### What Strategies Are Available to Banks?

Faced with those realities, banks have only three strategies open to them. First, they can raise fees and try to reduce operating costs. Second, they can sell more products through the existing delivery system in

model to spread their overhead costs. Third, they can streamline the costly delivery system by closing unprofitable offices, increasing the use of electronic facilities, and extending their geographic networks over a wider area to achieve economies of scale.

Banks would love to use a blend of these strategies—but they can't. Under present law, they cannot expand product offerings. Yet, that is precisely the strategy most likely to assure that financial services will continue to be available at reasonable prices for the greatest number of consumers.

Streamlining the delivery system could also help to lower costs. But state and federal laws often limit the ability of banks to operate ATMs and join together to achieve economies of scale. And protests inevitably arise upon the closing of any branch.

As consumers have noticed, the strategy they have been pursuing most aggressively has been raising fees. Why? Because it is the only strategy that is available to them.

## What Can Be Done?

Absolutely the worst thing that could be done would be to have the government set the banks' fee structure. If fees were restricted by other than competitive forces, banks could be forced to pay lower rates on deposits and probably charge higher rates on loans. We have already seen what happens when banks pay below market rates on deposits. Banks might also be forced to cut back on services and even close branches. I don't think any of us want to see that happen.

How about if we try the opposite approach? Suppose we give banks some new powers so they can recover the lost earnings by pushing more products and services through that existing branch system. And suppose we let them expand into new geographic markets with ATMs and a thinner, more efficient, branch system.

Now we can see some results. The banks can offer the same products and services as their competitors. They don't have to depend totally on repricing to recover their lost earnings. If they are small with limited capital, they form partnerships with the local real estate agent and the independent insurance agent, and they are ready to fight Sears and Merrill Lynch. As a result, consumers benefit with better products and services, cheaper prices, and a more convenient delivery system. The way that the way to combat the threat posed by national competition. Banks need

broader product powers and the ability to offer them over a wider geographic area.

Congress is currently considering legislation that would do just that; it would allow banks to underwrite and manage mutual funds, to underwrite and deal in mortgage-backed securities, to underwrite and sell insurance, to broker real estate, and to expand leasing operations.

When banks are provided with these new powers, they will be able to offer more benefits than just lower fees. Let me describe just a few of the possible benefits that customers stand to gain.

- Banks would be able to offer cash management services that could compete directly with those offered by securities firms. The forces of competition should lower the minimum deposit requirements and open these accounts to more consumers and businesses.
- Banks could pool mortgages and sell them to all kinds of investors. Private mortgage insurance would make this an attractive investment. The results would mean more money available for mortgages and lower interest rates.
- Banks would be able to originate, package, and sell loans and equity participations to investors. This could mean a lot more long-term capital for businesses and a lot more jobs.
- Banks could also provide more flexible insurance products at cheaper rates, lower real estate brokerage fees, and cheaper rates for leasing equipment.

## Conclusion

Senator Garn has introduced an omnibus bill, the Financial Services Competitive Equity Act, that would permit most of the things I have discussed. Others have introduced more restrictive legislation that would have less dramatic results, and still others seek to turn back the clock and restrict the marketplace.

As consumers and financial experts, you can see the gains to be made by giving banks the powers to compete. It is important to our national economy that our banking system remains both competitive and profitable so it can expand to meet the needs of our communities. And you've seen the options open to banks; new product powers are the key to their continued strength. They are also the key to meeting consumers' needs. For the best products and services at the lowest price with the most convenience, change is desperately needed. And the time for that change is now.

## Remarks by C. T. Conover, Comptroller of the Currency, before the Oklahoma Bankers Association, Palm Springs, Calif., February 8, 1984

### “Quest for Powers: The Changing World of Financial Services”

My topic today is “Quest for Powers: The Changing World of Financial Services.” There are two ways I could treat this topic. I could present a snapshot frozen in time, like the newspapers often do. Or I could give you a documentary showing progress over time. But I am too close to the scene to capture it in a snapshot. And if I developed a documentary it would raise as many questions as I answer. So I will use some elements of each to describe one episode in the continuing story of financial services.

The primary characters in this episode are the banks, the regulators, and Congress. There will also be appearances by the securities, insurance, and real estate industries. The previous episode told the story of the rise of the financial supermarkets and the deposit hungry conglomerates. In today's episode we search for something more important—the ability to compete.

#### Interest Rate Ceilings Removed

As the scene opens, the new forces of competition have entered the marketplace. The banks have just been cast out of the Garden of Protected Markets and into the State of Lost Deposits. They are face to face with the unknown force of Risk. Their immediate reaction is to try to reclaim the innocence of the lost garden. But slowly they learn that there is much to be gained through their new freedom.

With this realization, the banks are allowed to pass from the State of Lost Deposits into the World of Risk and Opportunity. Like fishermen, they know the sea is dangerous and the storm is terrible, but the dangers are not a sufficient reason for staying ashore. They join with their regulators and congressmen to strike down the Demon of Interest Rate Ceilings and unleash the Force of Competition. With that action they forever close the door on the past.

That is the turning point in our story. Much that will happen afterwards will be attributed to this single act of removing interest rate ceilings. With the forces of competition unleashed, banks can offer money market and Super NOW accounts and begin to regain lost deposits.

Price supplements convenience as the banks' new competitive tool. The banks tie their hopes and aspirations to using that tool more effectively. Their presi-

dents and boards of directors stake their careers and many of their resources on achieving this quest. All these forces combine and play off one another gathering the necessary momentum to make further change inevitable.

To complete this quest—to make themselves more competitive in serving the public—banks need more product powers. With new powers they can do a better job of serving their customers. They also can spread fixed overhead costs over a wider product line. Banks must also streamline their costly delivery systems by increasing use of electronic facilities and by extending their geographic networks over a wider area to achieve economies of scale. And they must try to reduce operating costs and, if necessary, increase their fee income.

#### OCC/States Help To Ease the Transition

But there is a body of law that prevents banks from passing these tests and completing their quest. The Comptroller's Office does much to ease this transition. We authorize them to engage in discount brokerage and investment advisory services, to operate futures commission merchant subsidiaries, to provide common trust funds for the collective investment of IRA contributions, and to lease space on their premises to insurance agents. We greatly expand banks' ability to make and purchase adjustable rate mortgages; permit them to enforce due-on-sale clauses; and allow them to offer plain English trusts which can broaden the market for trust services.

The OCC also reduces the size of application forms and shortens their processing time. We simplify the process for forming and acquiring operating subsidiaries. We streamline procedures for changing from a state to a national bank and for establishing fiduciary powers. We remove our approval requirement for employee stock option and stock purchase plans. And we approve an application to charter the first federally chartered bankers' bank.

The states also take the initiative in providing banks with new product powers. South Dakota, Delaware, and California expand the asset powers of their institutions. More and more states allow in-state branching and multiple-bank holding companies.

And there are other movements to reduce the barriers

to regional expansion. At least 15 states pass laws that permit activity on a state basis by out-of-state banking organizations. We see the beginning of a multi-state banking region in New England. This action touches off activity in other regions of the country. At least 39 states become involved in discussions about the formation of banking regions—particularly in the Southeast, Middle Atlantic, and Central regions of the country.

In addition, banks are allowed to acquire failing institutions outside their usual geographic area. As a result, some of the largest banks are able to put together interstate networks. The current federal laws now merely prohibit other banks from competing with them.

## Laws Must Change

Although the federal laws regulating the product powers and setting geographic limitations have still not changed, we see plenty of signs of the need for this change. In attempting to diversify, financial service providers continue to test the limits of the laws governing their activities.

If the legal framework isn't changed, they will continue to move to the regulator with fewest restrictions. Right now, some banks are looking into the possibility of converting to thrift charters. The states that gave new powers to the banks under their jurisdiction have more attractive charters. This "de facto" deregulation will continue and widen until Congress takes appropriate action.

The consumer is the primary beneficiary of this competition. Consumers are now receiving market interest rates on insured accounts. As banks are allowed to provide more products and services, consumers and small business benefit from better prices and a more convenient delivery system. The Force of Good Business has aligned itself with change.

But the demon Hypocrisy still lurks in the shadows. Some banks want new powers but don't want to give up anything to get them. Others want to return to the Garden of Protected Markets even though that path has been closed. Some banks provide inadequate disclosure of their service fee structure. And some small problem banks become big problem banks by mismanaging brokered deposits. Hypocrisy is the real force that we should fear. It could destroy positive public perception of banks and create road blocks to completing your quest to be competitive on the basis of prices.

## The Future

We will pick up the story where we left off, ending our story

But what do all the occurrences in this exciting episode really portend for our future?

Will the door to the past reopen? A door tightly closed seldom opens of its own accord. And while there have been many opportunities for it to open during the past year, each was fended off. Congress rejected all the moratorium proposals even though there was strong support for them in the securities, insurance, and real estate industries. The surge of activity in interstate banking within the industry and at the state level makes federal intervention to turn back the clock unlikely. And the massive shifts of funds after deposit deregulation demonstrate how popular the new money market deposit accounts have become. Any effort to hold back market forces in this environment could generate strong opposition.

## Further Deregulation Needed

The central theme that became obvious during the last episode of our story was that removing interest rate ceilings was only an important first step. Stopping now would be like trying to stop an avalanche. The market will push forward no matter what Congress does. I think that most members realize that.

In fact, there have been a whole host of congressional proposals recommending a variety of changes to the laws affecting banks. The most notable one was introduced by Senator Garn in December. His bill, called the Financial Institutions Competitive Equity Act, builds upon an earlier proposal by the Reagan Administration.

This bill would give bank holding companies new powers to enter all aspects of the insurance business, virtually all aspects of real estate development and brokerage, the savings and loan business, and some aspects of investment banking. In addition, the Garn bill would make it easier for bank holding companies to enter into these new activities.

So when will all this happen? There will be more hearings on the bill in the coming weeks and the bill could come to a vote this fall.

If Congress doesn't pass a new powers bill this year, where will the immediate changes in the banking system come? First, I expect that more states will be providing new powers to banks under their jurisdiction. I also expect to see major advances in interstate banking with more regional groups patterned after the New England experiment. In the meantime, banks will continue to seek out charters with the least restrictive regulator, our federal banking laws will continue to be tested in the courts, and the momentum for future

change will continue to grow until it becomes inevitable.

## Functional Regulation

But the need for new powers is not the only thing we learned in our little episode in the changing world of financial services. We also learned that it is becoming increasingly more difficult to distinguish one financial service provider from another.

Since that is the case, regulators should be supervising them on the basis of function rather than based on where they received their charter. Like activities should be treated equally and placed under the same regulatory authority. And when supervision is shared between two or more regulators, there should be close contact and cooperation between them.

The proposals of the Bush Task Force constitute a major revision of the federal regulatory system for commercial banks. It should put an end to a lot of duplication. The proposals would create a new Federal Banking Agency (FBA) within the Treasury Department with the OCC as its nucleus.

- FBA would regulate all national banks and all but the very largest national bank holding companies.
- FBA would define permissible activities and write regulations concerning them for all bank holding companies. The Fed would be able to overrule with a two-thirds vote.
- The Fed would regulate the 50 largest bank holding companies and initially would be responsible for state member and non-member banks and their holding companies.
- The Fed, the FDIC and the new Federal Banking Agency would develop standards for certifying states that had developed the necessary programs to assume federal examination and supervisory responsibilities for state-chartered banks.
- The FDIC would give up all its general regulatory responsibilities not directly related to its function of providing insurance.
- The Justice Department would handle all anti-trust matters relating to the banking industry.
- Securities activities of banks would be regulated by the Securities and Exchange Commission.

## New Responsibilities for Banks

There is yet another lesson to be drawn from this last episode; banks are going to have to accept some responsibilities if they want to attain their goal. One of these responsibilities is a willingness to disclose more information. With increased risk in the marketplace, depositors and investors must be provided with adequate information on which to judge this risk and with which to make educated decisions on where to place their deposits.

That's why we began to make public more information contained in the call report. In addition, the public has a right to know what you will charge for any given service.

Another responsibility you must accept is disciplined use of brokered deposits. Although the FDIC is considering a total ban on their use, I prefer a less restricted approach. And I am looking forward to reviewing the public comments on the FDIC's proposal. Nevertheless, if you are a problem bank, we are going to watch your use of brokered deposits like a hawk and may even stop you from using them. One thing we don't want to see is small problem banks becoming big problem banks.

You must also accept the responsibility for the added risk you take on. We intend to enlist the discipline of the marketplace to supplement that of the regulator. In the future, I doubt that uninsured depositors will continue to be made whole in government assisted mergers, and the possibility of risk-related premiums looms larger every day.

## Conclusion

After hearing my story and examining its implications, you can see why I chose to tell it as one episode in a continuing series. There is still much to be done in the changing world of financial services. There are still many tests to be passed before banks complete their quest and are truly able to compete effectively in the marketplace.

At the same time, we know that many important initiatives have been taken, and some rewards are already being felt. We must continue to work together to form a consensus for new powers among consumers and small businesses. When we complete our quest we will find that the changing world of financial services provides tremendous opportunity for success.

## Remarks by C. T. Conover, Comptroller of the Currency, before the ABA Leadership Conference, Washington, D.C., February 16, 1984

### "Regulating Brokered Deposits: Necessity or Nonsense"

There has been quite a bit of controversy surrounding the regulation on brokered deposits proposed jointly by the Federal Deposit Insurance Corporation (FDIC) and the Federal Savings and Loan Insurance Corporation (FSLIC). Before jumping into that controversy, I think we need to put the subject of brokered deposits into some kind of perspective.

In fact, out of about 4,700 national banks, only 195 have any brokered deposits. Only 85 of these have brokered deposits in excess of 5 percent of total assets, only 46 have brokered deposits in excess of 10 percent. And only 38 of the 195 are on our problem bank list. That points out an important aspect of the issue—it's what a bank does with the funds, not where they get them that causes problems.

But I think there is a real danger in the fact that deposit brokerage isn't a big problem; right now it doesn't affect a lot of bankers. That fact raises a lot of temptations. It's tempting to many bankers not to care very much about the proposed regulation because it doesn't immediately affect them. It's also tempting to think of this as an easy shot to take at the brokerage industry. But it would be a serious mistake to yield to either temptation and support the regulation in its present form. Later, you may discover that deposit brokerage is a more effective way of gathering deposits than some of the methods you now use. Furthermore, you can't afford to give up any of your tools, not even those you haven't used yet. It would be like cutting off your nose to spite your face.

I think we need to remember, too, that there are some very positive aspects to deposit brokerage. Today it is possible for consumers to go to a deposit broker and arrange to have their money deposited in banks or thrifts anywhere in the country. That's good for consumers, because they can conveniently shop for the interest rate and maturity they want. And it's good for banks and thrifts, because it gives them a low cost mechanism for gathering funds.

### What's Wrong With Brokered Deposits

Given these facts, why are some regulators so concerned about brokered deposits? There are two problems associated with deposit brokerage. First, it makes regulators treat all problem banks to become subordinated risks in a hurry. Second, funds that would otherwise be insured can be divided by

brokers into insured lots of \$100,000. In this way, government insurance is extended to cover a much higher percentage of total deposits. As a result, some market discipline is lost, because the federal government assumes the risks of sophisticated investors, who were never intended to be covered by deposit insurance.

These are real problems. But we don't need the proposed regulation to solve them. As regulators, we have adequate authority right now to deal with the first problem. More specifically, we have a whole array of restrictions and limitations on brokered deposits that can be applied to virtually every problem bank. They range from a simple reporting requirement to a total restriction on the use of brokered deposits. Whatever action we take will depend on the type and severity of problems in a particular bank. We intend to include one or more of these restrictions in enforcement agreements with problem banks where brokered funds are now a problem or where we believe that use of brokered funds may exacerbate existing problems. As a practical matter that means every problem bank.

And there are other effective ways of dealing with the increased risk to the insurance funds. For example, we could limit the insurance a depositor could get on funds placed by any single broker to \$100,000. That would preserve the benefits of deposit brokerage to both consumers and banks, while denying deposit insurance to sophisticated investors who use brokers to obtain insurance for otherwise uninsured funds.

### Who's Crying "Wolf"?

These tough, aggressive solutions would solve the real problems created by deposit brokerage. Why, then, do some so strongly advocate the proposed radical regulation, which would totally eliminate the brokerage of any insured deposits, including small deposits that would be insured anyway if placed directly with a bank or thrift?

Proponents of the regulation defend it with some very shallow arguments. First, they say banks and thrifts can already move funds to areas of need. That may be true, but is it an adequate reason to stop others from performing this same function. If anything, alternate ways to move funds will make this system more effective.

Second, they say that deposit brokers take money out of local communities. That ignores the fact that our markets have become nationalized. Fed funds and loan participations can also move funds out of local communities. If banks and thrifts can reap the benefits of moving money around the country, why not allow consumers to do the same?

Third, they say that eventually money brokerage firms could hold banks hostage and set higher rates and terms for certificates of deposit. That is pretty far-fetched; money brokers are only one way of gathering deposits, not the only way. And banks can protect themselves by doing business with several brokers.

Fourth, they say deposit insurance is being unfairly extended to non-depository institutions. That is totally untrue. The broker never has the use of the money he handles. Brokers are selling their expertise in placing funds, not deposit insurance.

As it stands, the proposed regulation would eliminate

one way to market financial services. Physical branches would be allowed, but telephone calls to brokers would not. Comparative rate advertising would be okay. But listing rates with brokers would not. A paid sales force would be permitted, but using a commissioned broker would not. In other words, let's protect traditional marketing channels, and restrict those who may have a better idea.

Instead of pursuing this folly, we should be urging Congress to get on with the job of deregulation and carry out much-needed reform of the deposit insurance system itself. The weaknesses of that system are the real problem, not the use of brokered deposits.

Let's push for a better solution, such as limiting the insurance that any depositor could get on funds placed through a single broker to \$100,000. That would reduce the risk to the insurance fund that results from brokers dividing deposits into \$100,000 units. And, more important, it would preserve the very real benefits of deposit brokerage for small savers.

## Remarks by Brian W. Smith, Chief Counsel, before the MasterCard Annual Meeting, Tampa, Fla., February 24, 1984

### "Shaping a Better World for Financial Services"

Thank you for the kind words and warm welcome. Being here today is like a homecoming for me. I am especially excited about seeing old friends and meeting new ones. As you can imagine, my 8 1/2 years with MasterCard left me with a deep interest in its present and future—so I have been avidly following your activities while I have been in Washington.

During the course of this annual meeting, you have been talking about your past achievements and making decisions about your future. One of the most important considerations affecting those decisions is the evolutionary change taking place in the financial services marketplace. So today I would like to discuss that evolutionary change, its implications for regulation, and its promise for a better world in financial services.

The debate concerning the future regulation of the financial services industry has been a long and intense one. The results of this debate are certain to

have far-reaching implications on MasterCard, which plays such a vital and important role in our payments system and is so closely tied to our banking system. Proponents of change have made major advances in the last year. In fact, legislation to deal with almost every major deregulatory concern has been introduced and placed on the congressional agenda for discussion in the coming weeks. I feel certain that during this year some action will be taken to provide banks with the powers they need to compete in today's marketplace.

Since we may be fast approaching the ultimate decision on what is and what isn't appropriate for banks, I thought it would be interesting to examine the competitive trends, socioeconomic pressures, public policy concerns, and the implications of each for the future of regulation. I believe that this examination will lead us naturally to a comprehensive solution to the problems facing the financial services industry today. A solution that will insure a better world in financial services.

## Competitive Trends

We'll start with the most obvious of the forces—the competitive trends in the marketplace. One trend that we have all witnessed is the new providers that are entering the marketplace. I see some smiles out there, because these new providers have meant additional participants in MasterCard. That is a trend that should continue. New financial service providers, whether they be banks, S&Ls, securities firms, or insurance companies, will continue to find it advantageous to take advantage of a network like MasterCard.

One of these new competitors is the consumer bank. Consumer banks and limited purpose banks have entered through a loophole in the Bank Holding Company Act. This loophole enables them to offer banking products without being subject to many of the usual restrictions placed on banks. In fact, they may not even be subject to the barriers against interstate banking.

The securities firms and the other businesses that own most of these consumer banks or special purpose banks have a primary business other than banking. By adding new banking products they are able to attain economies of scale. For instance, they can push new banking and financial service products through their existing delivery system to reduce overhead cost. They can also use the sophisticated computer power developed for their primary business for the new financial service products.

Many are using the consumer banks as a method to make their primary operation more effective. In the case of securities firms, they can use the consumer bank for check clearing on money market accounts or on cash management accounts.

Another important new factor is the increased competition from savings and loan associations. The passage of Garn-St Germain gave S&Ls almost all banking powers. In fact, in many respects their charters are superior to those of a bank. They can engage in real estate development, insurance activities, and can merge and operate ATMs across state lines.

Another important competitive trend is the impact of technology on the development and delivery of financial services. Externally, technology has two important effects. It makes possible the new combinations of services needed to meet consumer needs. Money market mutual funds and cash management accounts are the most obvious examples of this phenomenon. Other banks are making these services available at lower cost and at greater convenience to the consumer. ATM's and photo cash technology have played an

important role in this phenomenon. Technology provides banks with the capability of offsetting profit-margin pressures. It can provide the basis to configure a new delivery system by the use of terminal networks. It can also be used to organize valuable information about consumer relationships.

Internally, technology in the form of automation greatly influences operational efficiency and the ability to generate management information required to run an institution. So in a rapidly changing environment, banks that are constrained by inadequate systems will lose a substantial competitive edge and will face great difficulty in obtaining productivity gains needed to counter shrinking profits.

The advances in technology and their application to banking will provide excellent opportunities for the MasterCard membership—both in the formation of networks of ATMs and POS terminals and in the increasing convenience they will provide to your customers.

Another competitive factor is the role the states have played in providing banks with new powers. While Washington has been somewhat slow to act, states have not. For instance, there have been state and regional efforts to remove geographic barriers. Alaska, New York, and four New England states, among others, have sanctioned interstate banking operations.

The states have also taken the initiative to provide banks with new product powers. South Dakota, Delaware, and California have expanded the asset powers of their institutions.

The fact that banks are actively positioning themselves for further deregulation is another observable trend. One sign of this positioning is the increased interest in takeouts, acquisitions, and mergers.

The big bank holding companies see an opportunity to get a head start on interstate banking. Through acquisition and merger, franchising products and services to correspondents, and networking they can have their system in place when interstate banking finally arrives. When the laws change, all they have to do is change the signs on the doors.

For regional and medium-sized banks, acquisition and merger can help them to compete with the large banks. These strategies can be used to fill voids in their service structure and permit them to attain economies of scale.

Some small banks may decide they don't want to compete and simply opt out. They may actively seek

to be acquired. As a part of a larger distribution system, they may be able to provide more products and services more effectively to their customers. At the same time, the current climate of acquisition has many small banks running scared. They fear that there will be no way for them to avoid being acquired.

But for these banks, alternatives to proprietary delivery and information systems do exist. For example, many institutions are becoming members of shared networks of automatic teller machines, point of sale terminals, and home banking terminals. They are also purchasing back-office processing from service bureaus or other large banks. Variations of this strategy include licensing a product or even becoming a franchise of a larger bank. Networking and joint ventures, bank service corporations, and bankers' banks have increasingly become vehicles for small banks and S&Ls to at least stay even, at best get ahead, in the competitive race that is emerging.

The tactical flexibility the banks are demonstrating in confronting the rapidly changing scene is refreshing and reminiscent of an ancient story.

It seems the Sultan of Persia had sentenced two men to death. One of them, knowing how well the Sultan loved his prized stallion, offered to teach the horse how to fly within a year in return for his life. The Sultan, seeing himself as master of the world's only flying horse, agreed.

The other prisoner looked at his cellmate in disbelief. "You know horses don't fly," he said. "That's a crazy idea, you're only postponing the inevitable."

"Not so," replied the skilled tactician. "I have given myself four chances for freedom. First, the Sultan might die during the year. Second, I might die. Third, the horse might die. And fourth, you know, I might just teach that horse how to fly."

Optimism, strategic planning, and tactical alternatives have become the watchwords of the financial services industry.

In terms of the competitive trends in the marketplace, we are definitely moving towards a realignment of the delivery system, greater product powers, and fewer geographic barriers.

## Socioeconomic Pressures

Now I would like to examine the socioeconomic pressures that are exerting themselves on the financial services marketplace. For one, studies suggest that we have become a nation of pragmatists. We are not

about to accept a program until we are convinced that somehow it will benefit us.

If you are a typical member of the public you will not accept further deregulation of the financial service marketplace unless you are convinced that it is both workable and cost effective, that it will result in more jobs rather than fewer jobs, and that it won't mean higher interest rates on loans.

At the same time this pragmatic point of view means that you are more prone to risk taking if it is tempered with prudence. You are more willing to rely on the free market system rather than government regulation. Finally, consumers are increasingly convinced of the importance of convenience and more and more likely to believe in the concept of one-stop banking.

The American people are quick studies when it comes to finance. The recent past bears testimony to that. When soaring interest rates and a bear stock market made banks and Wall Street less profitable, people withdrew their savings from the banks, sold their stocks and took advantage of higher yields elsewhere. By the same token, as the market improved and banks were permitted to pay market rates of interest, their money quickly flowed back to where it could gain the highest yield.

So even though the word deregulation carries some pretty negative connotations, consumers seem to have little trouble seeing the benefits.

Unfortunately, if banks are not provided with new powers soon, consumers may well reverse their current attitudes toward deregulation. Banks will have to make up for lost earnings caused by interest rate deregulation by increasing fees if they cannot obtain economies of scale by pushing new products through their existing delivery systems. Opinion polls suggest consumers may blame the added service charges on deregulation itself rather than recognizing them as the results of partial deregulation.

Another of the current socioeconomic pressures that will play an important role in the future of regulation is consumers' reluctance to accept large institutions. Opinion polls suggest consumers distrust large organizations and feel that they result in less rather than more competition. Of course, these prejudices run directly counter to the current strategies of many of the large and medium-sized banks who have taken the position that "bigger is better."

To overcome this prejudice, banks will need to appeal to consumers. They will have to demonstrate that deregulation will allow banks to compete with other

financial service providers and that the net result will be more competition, not less.

The fact is that the socioeconomic pressures do not seem to propel consumers strongly toward either deregulation or towards more government involvement. It would appear, however, that they at least gravitate more towards further deregulation.

## Public Policy Concerns

The formation of public policy on banking and finance is complicated by the fact that our elected officials are influenced by so many diverse groups—most notably consumers, industry representatives, special interest groups, and even government regulators. It has been a long uphill battle to get all of these groups focused on deregulation. But this year's legislative agenda is an indication that at last some progress has been made.

I think that consumers and special interest groups are inherently detached until they feel they have a stake in the public policy debate. As they become more aware of and comfortable about the gains they will make in a deregulated marketplace, they will become an increasingly more potent force for further deregulation.

As you would expect, most banks are in favor of further deregulation, but there are some exceptions. And most of the diversified financial service firms and S&Ls are reluctant to give up their competitive advantage over banks unless they get something else in return.

Thus far in the public policy debate, the number one concern that has been raised is fear of concentration of financial power. It may well be a non-issue because there are some 18,000 financial service providers in the U.S. and I don't think anyone seriously believes that deregulation would result in only a handful of super banks. The public would never accept it.

The data does not bear out a conclusion like that either. Small banks generally know their market much better than their larger cousins and almost always outperform them. In addition, it doesn't take a very large bank to be able to diversify assets and there will be plenty of opportunities for small banks to attain economies of scale through networking and joint ventures.

Another possible problem that has been raised is the issue of product tying. Some, particularly representatives of the insurance industry, argue that if banks are given additional powers, they will require borrowers to take other products as a condition for a loan. With the recommended restrictions that will result from a deregulated marketplace,

it seems very unlikely that a bank would stay in business very long with a strategy like that. There would be simply too many other providers out there from which to choose.

Yet another concern often expressed is that expanded powers and market areas will make it difficult for the banks to continue to operate within the bounds of safety and soundness. But this concern ignores the fact that deregulation does not mean the abdication of the regulator's examining and enforcement responsibilities.

So it appears there are no really insurmountable public policy concerns standing in the way of further deregulation. The hurdles that are there can be overcome through education, regulatory oversight, or through provisions in the implementing legislation.

## Future of Regulation

So what does all this mean for the future of regulation? How will these competitive trends, socioeconomic pressures, and public policy concerns interact?

The first conclusion we can draw is that partial deregulation may be worse than no deregulation at all. Interest rate ceilings were removed with the idea that banks would be provided with new powers at a later date. Banks' primary source of earnings was greatly reduced when interest rate ceilings were removed and as yet they have been given no way to regain those lost earnings. At the same time some securities firms, insurance companies, and commercial businesses offer the same products as banks—yet they are not subjected to the same restrictions.

It is difficult to stop the forces of the market once they have gained momentum. Furthermore, it would be a mistake to do so since the public has benefited from the deregulatory actions that have already taken place.

This leads right into my second conclusion: the laws governing the activities that banks can engage in should be changed. After all, we have numerous signs that there is a real need for change. In attempting to diversify, financial service providers continue to test the limits of the laws governing their activities. This has led to inconsistent regulatory treatment of institutions marketing like products.

If the legal framework isn't changed, financial service providers will continue to move to the regulator with the fewest restrictions. Right now, some banks are looking into the possibility of converting to thrift charters. Certain states are giving new powers to the

banks under their jurisdiction. That makes their charters more attractive. This "de facto" deregulation will continue until Congress has taken appropriate action.

Another conclusion we can draw is that it has become increasingly more difficult to distinguish one financial service provider from another. If that is the case, we should supervise on the basis of function rather than on the basis of charter. Like activities should be treated equally and placed under the same regulatory authority. And when supervision of a provider is shared between two or more different regulators, there should be close contact and cooperation between these regulators. The recent recommendations for a new regulatory structure proposed by the Bush Task Force would solve this problem. These recommendations will be put into the form of legislation and introduced into the Congress in the coming months.

The final conclusion we can draw is that added risk is a necessary by-product of competition that cannot be regulated away. What regulators must do is to insure that the risk does not become inconsistent with safe and sound banking practices.

To do that will require some fundamental changes. More public disclosure of risk is needed. And we can no longer continue to make uninsured depositors whole in government-assisted mergers. Large depositors must bear the risk of potential loss if market discipline is to function effectively. We are also urging banks to disclose their service fee structure to afford consumers an opportunity to make an informed decision about which bank gets their business. And finally bank supervision should aim to strengthen a bank's capital resources proportionate to the amount of additional risk it takes on.

## Conclusion

From this review of the trends, pressures, concerns, and implications, I think we can forecast the probable outcome. I see almost no chance of Congress imposing a moratorium this year. I also think that it is almost inevitable that banks will be given some new asset powers in this session of Congress.

It's still too early to predict which ones, but the strongest opposition is in the insurance and securities industries. Arguments against allowing banks to en-

gage in certain limited securities activities are not very strong, but the "tie-in" connection with insurance continues to raise eyebrows. If banks are allowed to engage in insurance activities, the legislation may contain some "anti-tying" language.

On the other hand, the public policy pressures against concentrations of financial power may still be too strong to expect much progress in interstate banking this year. But "de facto" deregulation through the states will continue to pick up.

Of the various miscellaneous proposals that have been introduced, I think it more likely that banks will be paid interest on required reserves; that they will be allowed to pay interest on checking accounts; and that state usury ceilings will be pre-empted.

With respect to change in the regulatory structure, a lot depends on how long it takes to develop a legislative package that includes all of the Bush Task Force recommendations. Thirteen regulatory agencies have approved these recommendations already. I believe that is a record in itself. So if there isn't time for this legislation to pass in 1984, it should certainly see action in 1985.

In spite of the upcoming elections, 1984 promises to be a very significant year for deregulation of the financial services marketplace. The approach the industry chooses in pushing for the necessary changes will be critical to the outcome. Recently, a noted professor of management at a West Coast university listed several Chinese proverbs that may be instructive here.

1. Do not insult the crocodile until you have crossed the river.
2. It is better to struggle with a sick mule than to carry the wood yourself.
3. Do not throw a stone at a mouse and break a precious vase.
4. It is not the last blow of the ax that fells the tree.
5. The greatest leader not only brings home the bacon, but also the applesauce.

We all have our work cut out for us. The financial world won't be righted in one fell swoop. We should push instead for a common sense, briskly paced but orderly progress and we will quickly shape a better world for financial services.

# Remarks by C. T. Conover, Comptroller of the Currency, before the Foreign Banking in America Conference, Washington, D.C., March 6, 1984

I'm delighted to have this opportunity to meet with you today and join in your discussions. You are considering a number of important issues that could significantly affect the activities and regulation of the U.S. financial services industry.

You have asked me to share my views on three of these issues. They are: reciprocity among nations in the treatment of domestic banking activities by foreign banks; problems created by the growing use of brokered deposits; and the recommended changes in the federal regulatory structure put forward by the Bush Task Force.

On the surface, these three topics appear to be unrelated. But I believe they share a common attribute, the debate on all three focuses on the question of fairness and equity. What is the most equitable way to regulate foreign bank activities in the U.S.? Does the use of deposit brokers unfairly spread the advantages of deposit insurance to large sophisticated investors? And what is the fairest way to regulate financial services, regardless of who provides them? In my time here today, I don't expect to answer these questions. But I may be able to shed a little light on the debate over these topics.

## Reciprocity

Let's begin with the question of reciprocity in the treatment of international banking activities. As you know, in the International Banking Act of 1978, Congress endorsed the philosophy of national treatment of foreign bank activities in the U.S. market. If that were not the case, perhaps some of you wouldn't be here today.

National treatment means that foreign banks operating in the U.S. have the same rights and privileges and are bound by the same restrictions as domestic banks. The intent behind this approach is to promote equal competitive opportunities for all market participants. As embodied in the International Banking Act, national treatment is indifferent to any consideration of reciprocal treatment between nations. The approach strengthens foreign confidence in our open door investment policy and helps assure a free flow of capital into the U.S. market.

But some would argue that while this philosophy lets everyone into our markets, it hasn't resulted in many U.S. opportunities for U.S. banks overseas. These critics argue that we do really need a policy that

gives foreign governments a good reason to treat our banks fairly.

As a result, the subject of reciprocity is back in the limelight. Every time there is a foreign acquisition of a large U.S. bank, or the Comptroller's Office licenses a bank from a country that doesn't allow U.S. banks into its market, we hear a loud cry of "Foul! Why let foreigners into our markets, when they won't let us into theirs?"

Last November, Senator Jake Garn, chairman of the Senate Banking Committee, introduced legislation that would amend the sections of the International Banking Act of 1978 that deal with applications by foreign banks to establish branches or agencies in the U.S. Senator Garn's bill would require me, the Comptroller of the Currency, to consider, among other factors, whether U.S. banks are permitted to conduct business in the home country of the applicant.

That means that if an applicant's home country denied U.S. banks entry or restricted the types of activities they could conduct, that fact would be weighed in deciding an application for a branch or agency. Of course, each of these considerations would require careful review of the home country's financial and regulatory structure to be sure that this test of reasonableness was fairly applied. And this approach would require a large measure of regulatory judgment and considerable research, because each country has a different set of rules and regulations. The real question is whether such a reciprocity approach would convince foreign banks to pressure their governments to provide greater competitive opportunities to U.S. banks, so that they in turn would have better opportunities in the U.S.

There is also a question as to whether such an approach is really needed. In several countries, the possibilities for U.S. banks have improved considerably over the past several years. But some countries with fully developed banking systems have remained overly protective of their markets, while at the same time not hesitating to jump into ours. That's not right, and I believe those countries should take a more enlightened view. Their policies need thoughtful review to make them more responsive to strengthening the world economy.

In addition to his proposed amendment to the International Banking Act, Senator Garn has asked for an update of the 1979 National Treatment Study. The

Treasury Department has agreed to his request, and the OCC will be playing a major role in that effort. All of this activity means that we are far from hearing the final word on both national treatment and reciprocity.

## Brokered Deposits

My second topic today is brokered deposits. As you are all aware, there has been considerable controversy surrounding the regulation on brokered deposits proposed jointly by the Federal Deposit Insurance Corporation (FDIC) and the Federal Savings and Loan Insurance Corporation (FSLIC). The regulation is intended to limit risk to the federal deposit insurance funds by limiting insurance for depository institutions to \$100,000 per broker, regardless of how many individual depositors are served by the broker. As a practical matter, the rule would eliminate the brokerage of insured deposits, including those of small savers.

Deposit brokerage is good for individual savers, banks and thrifts, and the economy as a whole. Today consumers can go to a broker and arrange to have their money deposited in banks or thrifts anywhere in the country. Individual savers can conveniently shop for the interest rate and maturity they want. In addition, many brokers make a secondary market in CDs, so savers can sell their CDs back to the broker without paying early withdrawal penalties, while the banks still have the use of long-term deposits. It's a situation where everybody wins.

Deposit brokering is good for banks and thrifts because it gives them a low-cost mechanism for attracting deposits. It allows banks to be more flexible in matching assets and liabilities than is possible with funds acquired through a branch system. It makes it easier for institutions to acquire long-term deposits and gives small institutions access to money markets. Perhaps most important, deposit brokerage promotes economic growth by facilitating the flow of funds from capital surplus communities to other markets where funds are scarce.

Despite these obvious benefits, there are two significant problems with deposit brokerage. First, it makes it easier for small problem banks to become big problem banks in a hurry. Second, it makes it easier for large depositors to gain full insurance coverage by using brokers to split large accounts into insured lots of \$100,000. As a result, the liability to the insurance funds is increased and some market discipline is lost.

Rather than solving these problems, the proposed regulation would unfairly hurt banks and consumers instead. Small savers would be denied access to

national markets even though these small consumer deposits would be fully insured if they were deposited directly in federally insured institutions. Furthermore, the proposed rule would apply equally to all depository institutions, the vast majority of which are healthy.

The proposed rule does nothing to prevent large sophisticated investors from dividing their funds into \$100,000 units themselves and then placing them in several insured institutions. These depositors could easily use services that list banks and their rates and maturities. The proposed rule includes such services in the definition of deposit brokers, but as a practical matter, it would be difficult to identify depositors who use such services.

Furthermore, regulators already have adequate authority to make sure that brokered deposits are not used to turn small problem banks into big problem banks overnight. More specifically, the Comptroller's Office has begun using a wide range of restrictions and limitations on brokered deposits that can be applied to virtually all problem banks.

Rather than adopt a sweeping regulation that eliminates the brokerage of insured funds altogether, we should carefully consider all the alternatives. For example, we could limit the insurance a depositor could get on funds placed by any single broker to \$100,000 per institution. That would preserve the benefits of deposit brokerage to both small savers and banks, while denying deposit insurance to large depositors who use brokers to split their funds into insured lots.

We could also consider restricting the amount of brokered deposits in individual banks to a specified limit tied to a bank's level of capital. That would reward banks with higher levels of capital, particularly small banks.

Perhaps most important, the FDIC and the FSLIC should back off from this proposed regulation and get on with the job of reforming the deposit insurance system itself. Over the long term, such reform is the only effective way to protect the deposit insurance funds.

## Bush Task Force

My third topic this afternoon is the proposed changes in the financial regulatory structure put forth by the Bush Task Force. One of the effects of deregulation is that distinct product groupings are no longer confined to discrete industries. That means that we can no longer guarantee fair and equitable regulation by having a separate regulator for each industry. Instead, the structure of the regulatory agencies must itself be

changed from one based on regulation by industry to one of regulation by function. Only then can like activities be treated fairly and subjected to the same regulatory treatment.

The proposals of the Bush Task Force would help us reach that goal. They would take the first steps toward ending the current duplication in regulation and ensuring fair and equitable regulation of essentially similar financial products and services.

Someone asked me recently how I felt about the Task Force's recommendation to "abolish the OCC." Let me explain how the Task Force recommendation would in fact affect the Comptroller's Office. It means that I will have to hire a sign painter to put a new sign over our front door. It also means we will have to print new stationery and business cards. Except for those two changes, the OCC will remain intact as the nucleus of the new Federal Banking Agency.

The Bush Task Force recommendations take some significant steps toward making federal financial regulation more rational. For the first time, national banks and national bank holding companies, except for the 50 largest holding companies, would be regulated by the same regulator—the Federal Banking Agency (FBA). The FBA would also define activities that are permissible for bank holding companies and would write the appropriate regulations. Finally, the FBA would play a role in developing standards for certifying states to assume federal examination and supervisory responsibilities for state chartered banks.

Under the Task Force proposals, the Federal Reserve would regulate the 50 largest bank holding compa-

nies, and, initially, would also be responsible for state member and non-member banks and their holding companies. This change would allow the FDIC to concentrate its efforts on supervising problem institutions, which pose the greatest threat to the insurance fund. The Justice Department would handle all anti-trust matters relating to the banking industry, and the SEC would regulate the securities activities of banks.

It's no secret that the recommendations represent some significant compromises by the participants on the Bush Task Force. For that reason, we should not lose sight of two important points about these proposals. They do reflect the major concerns of the 13 federal regulators who agreed to them. And they constitute a major advance in the direction of federal regulation by function rather than by industry.

## Conclusion

I've covered a wide range of topics in a relatively short time this afternoon. And at first glance, these topics appear to have little in common. As I said at the outset, however, they do share some important features. Each focuses on efforts to make the financial services industry and its regulation more rational. Each is concerned with questions of fairness and equity in the regulation and provision of financial services.

There is still much to be done in the rapidly changing world of financial services. Within that world, I hope we will direct our efforts towards encouraging free and fair markets, both at home and abroad. The more competitive opportunities we provide, the more benefits will accrue to our banks, our businesses, our economy, and most importantly, our customers.

## Statement of C. T. Conover, Comptroller of the Currency, before the Subcommittee on Commerce, Consumer and Monetary Affairs of the House Committee on Government Operations, Washington, D.C., March 14, 1984

Mr. Chairman, members of the Committee, I appreciate the opportunity to express the views of the Comptroller's Office on the general subject of deposit brokering and specifically the regulation proposed by the Federal Deposit Insurance Corporation (FDIC) and the Federal Home Loan Bank Board (FHLBB). That regulatory attempt to end risk to the federal deposit insurance fund by limiting insurance for money placed in separately established money brokers' f-

want to emphasize at the outset that these are my personal views and not necessarily those of the Administration.

If adopted in its present form, I believe the proposed rule would needlessly deny significant benefits to consumers, limit access to a convenient and lower cost source of funds for depository institutions, and effectively eliminate brokerage of insured deposits.

including those of small savers. I have attached copies of our comments to the FDIC and the FHLBB on their advance notice of proposed rule making and their proposed rule; these comments set forth our position in considerable detail.

## Background

The market for brokered deposits may be divided into three distinct segments:

- Institutional uninsured—This segment has been in existence for the past 20 years and consists primarily of institutional investors who buy large uninsured certificates of deposit (CDs) from large banks. This sector accounts for the bulk of brokered deposits. The normal trading unit in this market is at least \$1 million.
- Retail insured—The growth of this segment was facilitated when the Depository Institutions Deregulation Committee phased out rate ceilings on retail deposits and liberalized the rules governing the use of brokers by depository institutions. This market consists primarily of consumers and small businesses who buy small CDs.
- Institutional insured—This segment began to emerge in 1980 when deposit insurance was increased to \$100,000 and grew more rapidly after the failure of the Penn Square Bank in 1982. Funds in this market sector are fully insured because deposit brokers split uninsured deposits into \$100,000 lots and spread them among several different institutions.

The institutional uninsured market sector poses no threat to the federal deposit insurance funds, because its deposits are virtually uninsured. Similarly, deposits in the retail insured market sector present no additional liability to the insurance funds, because they would be insured even if their owners directly deposited their own funds. It is the third market sector—the institutional insured segment—that should be of concern to the FDIC and the FHLBB.

Deposit brokerage provides some significant benefits to individual savers, banks and thrifts, and the economy as a whole. Today, consumers can go to a deposit broker and buy CDs issued by banks or thrift institutions anywhere in the country. That's a definite advantage for individual savers, because they can conveniently shop for the interest rate and maturity they want. Moreover, they also have an additional source of liquidity, since many brokers make a secondary market in CDs. That means that savers can sell their CDs back to their brokers without paying early withdrawal penalties, while banks continue to have the use of

long-term funds. It is a situation where both the consumer and the bank win.

Deposit brokering is also good for banks and thrift institutions, because it gives them a low-cost mechanism for attracting deposits. For most institutions it provides more flexibility in matching assets and liabilities than is possible with funds acquired through a branch system. It makes it easier for institutions to acquire long-term deposits and gives small institutions access to regional and national markets. It provides a strong base for funding. Perhaps most important, deposit brokerage facilitates the flow of funds from communities that have a capital surplus to other markets where funds are scarce.

## Problems With Brokered Deposits

Despite these obvious benefits, there are two significant problems with deposit brokerage. First, deposit brokerage makes it easier for small problem banks to become big problem banks in a hurry. This is particularly true for institutions with less demanding capital standards, such as those for savings and loan associations. Second, deposit brokerage makes it easier for large depositors to gain full insurance coverage by using brokers to split large accounts into insured lots of \$100,000. In this way, government insurance is extended to cover a much higher proportion of total deposits.

As a result, the liability to the insurance funds is increased, and some market discipline is lost, because the federal government assumes the risk of large depositors, who were never intended to be covered by deposit insurance. The liability of the FDIC and the FSLIC is also increased because these depositors have an incentive to shift their funds to institutions that pay higher interest rates, many of which pay higher rates because of their weaker financial condition.

The Comptroller's Office has found little use of brokered deposits in the national banking system. Among national banks, more than 4,500 of 4,700 reported no brokered deposits in the September 30, 1983 Call Report. Of the 195 that did report brokered funds, 110 had brokered deposits that were less than 5 percent of total assets, and 149 had less than 10 percent. Of the 620 national banks on our problem bank list, only 38—less than 6 percent—have brokered deposits.

The FDIC has also analyzed recent bank failures to assess the impact of brokered funds on bank failures. Out of 72 bank failures between February 1982 and mid-October 1983, the FDIC found 36 failed banks with brokered deposits. It is not surprising that a

merger of failed banks who funded with brokered deposits. Federal depositary banks often use such funds to replace borrowings insured and uninsured deposits. The use of brokered funds may enable a problem bank to stay open longer, thereby granting the FDIC more time to arrange a merger. As the statistics indicate, however, half of the failed banks did not have brokered deposits. Bank failures, supervisory problems, and increased threats to the insurance fund result from what a bank does with its funds, not where it gets them.

## FDIC/FHLBB Proposed Regulation

The FDIC and the FHLBB have proposed a regulation that would essentially eliminate the brokering of all insured deposits, not just the institutional insured market segment that is the real area of concern. The proposed rule would limit federal deposit insurance for each depository institution to \$100,000 per broker, regardless of how many individual depositors were served by the broker.

As a member of the FDIC board of directors, I voted against this proposal for two reasons. Over the short term, this rule would cause considerable harm to consumers, depository institutions, and the economy as a whole. In the long term, the proposed regulation would not effectively address the real problems.

### Detrimental Impact

The proposed rule would limit consumer access to national markets. As a practical matter, their options would be confined to local depository institutions. And preventing small depositors from using brokers does not reduce the exposure of the insurance funds, since small deposits would be fully insured if they were directly deposited.

The proposed rule would apply equally to all depository institutions, the vast majority of which are healthy. It would limit the liquidity of small depository institutions that lack large banks' access to national markets. It would also raise the possibility of liquidity problems in institutions now relying on insured brokered deposits.

### Regulation Would Be Ineffective

The proposed rule does nothing to prevent large depository institutions from dividing their funds into \$100,000 units and placing them in several insured institutions. These depositors could easily use services that all depository institutions along with the national banks offer on CDs. The proposed regulation does not address the definition of money market mutual funds or other limiting insurance

coverage for depositors who have used such services would be difficult, if not impossible, to enforce. The only lasting effect of the proposed rule would be to eliminate brokerage of insured deposits, including those of small savers.

## Other Arguments Against Deposit Brokerage

Supporters of the FDIC/FHLBB proposal defend it with arguments that do not stand up under close scrutiny. First, they argue that there is no need for deposit brokers because banks and thrifts can already move funds to areas of need. That statement is certainly true, but it's no reason to stop others from performing this same function. If anything, alternate ways to move funds will make the market more efficient for small depositors.

Second, it is argued that deposit brokers take money out of local communities where it may be needed. But money brokers also serve as a source of funds for institutions in small communities. Moreover, this argument ignores the fact that our markets have already become nationalized. Trading in federal funds and using loan participations also move funds from one community to another. If banks and thrifts can reap the benefits of moving money around the country, there is no reason to deny those benefits to consumers.

Third, there is concern that money brokers could hold banks hostage and set higher rates and terms for certificates of deposit. But money brokerage is only one of several means to gather deposits. Banks can and should protect themselves by spreading their business among several brokers. If necessary, the regulatory agencies have the authority to limit the proportion of its deposits that a bank may accept from any one broker.

Finally, it is argued that deposit insurance is, in effect, unfairly extended to deposit brokers that deal in insured CDs, and that brokers are "selling deposit insurance." Neither is true. Distributing insured CDs through brokers is no different from distributing U.S. government securities. In both cases, the backing provided by the federal government is simply a product feature, it is an integral part of the instrument and not a subsidy to the broker. The ultimate beneficiaries of the deposit insurance are depository institutions and their depositors, not the distributors of government-backed instruments.

## Alternative Solutions

I do not believe we need the proposed regulation to deal with the two areas where deposit brokerage creates significant problems: limiting use of brokered

deposits by problem institutions, and splitting large deposits into insured units. There are more practical, less disruptive ways to solve these basic problems.

### Effective Supervision

As regulators, we look at the use of brokered deposits as part of our normal bank examinations. Banks are also subject to minimum capital standards that are applied in a way to control use of brokered deposits to fund imprudent growth and thereby indirectly restrict the imprudent use of brokered deposits.

In addition, we already have adequate authority to make sure that brokered deposits are not used to turn small problem banks into big problem banks overnight. More specifically, the Comptroller's Office has begun using a wide range of restrictions and limitations on brokered deposits that can be applied to virtually all problem banks. They range from a simple requirement to report use of brokered deposits to a total restriction on the use of brokered money. The severity of the restriction depends on the type and magnitude of problems in individual banks. We are including one or more of these limitations in enforcement agreements with problem banks where brokered funds are now a problem or where we believe that use of brokered funds may exacerbate existing problems. As a practical matter, that means every problem bank.

In cooperation with the other banking agencies, we have also added new reporting requirements to the quarterly Call Report to help us monitor the volume of brokered deposits in the system as a whole and in individual banks. Starting with the September 30, 1983 report, banks have been required to report brokered deposits as a separate item. Beginning with the March 31, 1984 report, banks will begin breaking out retail brokered deposits.

All of that information will be made available to the general public and will facilitate increased market discipline. But the information from the March report will not be available until late May or early June. We should have this data in hand before we adopt solutions to a problem that may be less serious and widespread than some have suggested.

### Five Point Program

Rather than adopt a sweeping regulation that would eliminate the brokerage of insured funds altogether, we should carefully consider all the alternatives. The Comptroller's Office favors a five point program for limiting risk to the federal deposit insurance funds. I want to reiterate again that these are my personal views and not necessarily those of the Administration.

First, we propose limiting the insurance coverage of a depositor on funds placed by any single broker to \$100,000. That would preserve the benefits of deposit brokerage to small savers while making it impossible for large and presumably more sophisticated investors to use brokers to split their funds into insured lots. It would also allow depository institutions to continue to use brokers to gather small retail deposits.

Second, we could also limit the amount of brokered deposits in individual banks and thrift institutions to a specified percentage of assets, tied to an institution's level of capital. Such a policy would reward institutions that have stronger capital by granting them greater flexibility in using brokered deposits. Small institutions in particular would benefit from this policy, since they tend to have higher capital ratios.

Third, we need to move toward a system of common standards for capital applied in the same way for all depository institutions. Such a policy would provide for competitive equity. More importantly, requiring thrifts to achieve the higher capital standards applied to banks would limit the risk to the insurance funds and could help prevent new supervisory problems from developing.

Fourth, Congress should get on with the job of enacting much-needed reform of the deposit insurance system itself. The FDIC and the FHLBB should be empowered to develop a mechanism to make certain that uninsured depositors experience some degree of loss in government-assisted mergers. Such a change would increase market discipline. The FDIC and the FHLBB should also be able to develop a risk-related premium structure for depository institutions. Such an action would reduce the incentive for depository institutions to engage in risky or unsound business practices. Both these changes would ensure the long-term viability of the deposit insurance system.

Finally, the Comptroller's Office supports increased public disclosure of, and common standards for disclosing, information on the financial condition of banks and thrift institutions. Such disclosure would permit large depositors to better assess the risk involved in depositing funds in a given bank or thrift. Until depositors have enough information to differentiate well-run and poorly-managed institutions, we cannot expect market discipline to help solve this problem.

\* \* \*

The Comptroller's Office believes that effective supervision of problem institutions plus these five alternatives represent a better solution than the regulation proposed by the FDIC and the FHLBB. Although the

first two alternatives are necessary to deal with problems raised by brokered deposits, the remaining three need not be implemented immediately. Our proposals would solve the real problems created by deposit

brokerage without eliminating the considerable benefits of brokered deposits to consumers, thrift institutions, banks, and the entire economy. We urge that our approach be adopted in place of the proposed rule

## Statement of C. T. Conover, Comptroller of the Currency, before the Senate Committee on Banking, Housing and Urban Affairs, Washington, D.C., March 21, 1984

Mr. Chairman and members of the Committee, thank you for asking me to testify on S. 2181 and S. 2134, which both deal with reform of the legal framework governing the financial services industry. I will restrict my remarks to S. 2181, the Financial Services Competitive Equity Act. It embodies the changes proposed in S. 2134, but represents a more comprehensive approach, which I strongly support. My views are not necessarily those of the Administration.

The comprehensive deregulation contained in S. 2181 will strengthen our nation's financial services industry and will enable consumers to benefit fully from innovations in the industry. Today I will discuss how S. 2181 meets the need for continued deregulation and will also suggest some improvements to the bill. Specific comments on individual titles of the bill are included in an appendix.

I have testified on the importance of comprehensive deregulation on many occasions. Removing Regulation Q ceilings, and thus allowing depositors to earn market interest rates, has made it necessary for banks to seek new sources of earnings, however, most avenues to new earnings are still closed to banks. Today I would like to emphasize a point that is too often overlooked—that consumers will be the primary beneficiaries of legislation granting financial service providers wider latitude to compete

### Consumer Benefits of Comprehensive Deregulation

As the Committee considers expanding the permissible activities of financial service providers, I urge you to focus on the benefits that will accrue to consumers as a result of more vigorous competition. Despite what many sometimes hear, deregulation does not mean that commercial banks will come to monopolize the financial services industry or that small providers will be driven into liquidation. Rather, it implies that the

success or failure of any firm—be it a bank, a thrift, an insurance company, a securities firm, or a real estate organization—will depend on how well it meets market demand.

For that reason, I view S. 2181 as an impressive piece of pro-consumer legislation. Some of the consumer benefits that are likely to result from adoption of the bill are as follows:

- One-stop shopping for financial services. Deposit, loan, insurance, securities, and real estate services will all be available at a single location.
- A more varied menu of products. Individuals with differing needs will be served better through increased competition. For example, improved asset management accounts can be designed as a result of allowing affiliations between banks and securities brokers. Competition should lower the minimum balance requirements of these accounts (currently \$10,000 to \$20,000), making them accessible to more consumers.
- New product innovations. With the ability to integrate different financial services into one package, product designers will have new freedom to creatively combine financial services in new and imaginative ways.
- Lower cost insurance and real estate products. Affiliations between depository institutions and insurance and real estate firms will increase competition and will result in more efficient distribution systems, thereby lowering consumers' costs.
- Increased flow of housing credit. Permitting banks to gather and pool mortgages and to sell mortgage-backed securities to all investors will facilitate the flow of credit to housing. Mortgages will become a more attractive instrument to a greater number of investors, and mortgage interest rates will become more competitive.

- Better services for small businesses. Banks will be able to design low-cost cash management services for small businesses by using their ability to offer interest-bearing checking accounts and mutual fund services.
- Stronger community institutions. By affiliating with one another, small, local providers of financial services such as small community banks, insurance agents, and local independent real estate firms will be better able to compete with large, nationwide organizations such as Merrill Lynch, Sears, and Citicorp. Thus individuals and small businesses will be able to obtain new products from community institutions familiar with local needs.

S. 2181 achieves these benefits by removing impediments to competition and by eliminating inequities in the regulation of institutions providing similar services. The consumer benefits noted above are made possible by the following provisions of the bill:

- Title I creates a holding company structure that permits the offering of a full range of financial services—including deposits, securities, insurance, and real estate services—by a single organization. It also introduces additional competition in the retail banking area by permitting the creation of consumer banks and qualified thrift lenders. Ownership of these institutions would not subject the parents to the activity restrictions of the Bank Holding Company Act or the Savings and Loan Holding Company Act.
- Title IV provides for the payment of interest on required reserves held against Super NOW and money market deposit accounts. This provision removes an implicit tax that falls on banks and thrifts, thereby allowing them to offer more competitive interest rates for deposits.
- Title VII provides for an override of state usury laws. Rigid usury ceilings tend to harm rather than help those who seek credit. Their removal would benefit consumers by enabling lenders to make loans within their states even when market interest rates are high.
- Title VIII permits the payment of interest on demand deposits, thereby removing one of the last remaining interest rate controls on deposit accounts. This provision would particularly benefit those small businesses that are ineligible for NOW accounts. It would also remove a competitive inequity between depository institutions and money market mutual funds in the competition for corporate accounts.
- Title X authorizes regional interstate banking

arrangements. This would be a step toward removing all geographic barriers to competition. It would widen the number of banking alternatives for consumers and facilitate capital flows across state borders.

## A Suggested Improvement To S. 2181

Although S. 2181 provides substantial benefits to consumers of financial services, there is an important inconsistency in the bill's treatment of consumer banks and qualified thrift lenders. As proposed, ownership of either institution would not subject the parent company to bank or thrift holding company statutes. The amount of commercial lending permitted for the two types of institutions, however, is quite different. Consumer banks may have no more than 5 percent of their assets in qualifying small business loans, and may have no other commercially related loans. Qualified thrift lenders, on the other hand, may have up to 25 percent of assets in commercially related loans, regardless of the amount of their mortgage lending.

As a consequence, the bill skirts an important question: should nonfinancial firms such as steel companies or construction firms, or corporate underwriters be allowed to own federally insured depository institutions that engage in commercial lending? The answer given by S. 2181 appears to be yes if the depository institution has a thrift charter but no if the depository institution has a commercial bank charter. Yet, the public policy concerns are identical in both cases.

In my view, when a bank or thrift institution gathers deposits insured by the federal government, it is in the public interest to ensure that the institution's lending and investment decisions are made objectively. Thus, in allowing depository institutions to engage in nonfinancial activities—or the underwriting of nonfinancial activities—care should be taken to ensure that the institution cannot utilize its lending and investment function to serve its own or its parent's other interests.

The establishment of the consumer bank in S. 2181 embodies this concept. Although nonfinancial firms continue to be unable to own full-service commercial banks, they will be allowed to own banks that do not engage in commercial lending—except for a minimal amount of small business lending. In this way, the danger of preferential lending is avoided.

I urge the Committee to apply the same limit on commercial lending to qualified thrift lenders. The public interest in limiting a nonfinancial enterprise's ownership of a commercial lender does not depend on whether the lender has a bank or thrift charter. The public is not well served when the rules governing

and an institution are inherently inconsistent

In addition to this limitation, I would support instituting further safeguards to ensure that a nonfinancial firm cannot utilize a consumer bank or a qualified thrift lender to benefit its other activities. Specifically, I suggest limiting the ability of these institutions to finance the sale of any of their parents' products

## The Importance of Moving Ahead

Although I have stated some reservations about certain features of S. 2181, overall I strongly support this legislation. It is a comprehensive approach that does not cater to special interests. It will provide needed freedom to the financial services industry to expand choices and improve services to the consumer.

Because of its comprehensive and objective approach, it has opposition, especially from those who want to protect their own markets from outside competition. This is inevitable as we emerge from a heavily regulated environment to a more competitive one. We are all familiar with securities firms complaining about banks entering the brokerage business and banks decrying the efforts of others to offer close, but unregulated, deposit substitutes. Representatives of the insurance industry and independent real estate agents warn of inferior service or an ominous trend toward concentration any time an outsider attempts to enter into their line of business. These objections mask the real reason for their opposition—they don't want the competition.

There will be short-term winners and losers from the reforms contained in S. 2181. But we cannot forget that the real beneficiary of this legislation is the consumer. It is consumers who win when the restraints are lifted and more competitors can vie for their patronage.

## Conclusion

In conclusion, I want to emphasize the importance of acting soon on this comprehensive legislation. Inaction by the Congress would mean sanctioning a financial services industry characterized by legal inconsistencies and market inefficiencies. In particular, I ask you to consider the following:

- Does it make sense to allow Sears customers to obtain the services of a federally insured depository institution, a full-service brokerage house, a real estate agency, and an insurance firm all under one roof, while prohibiting most other depository institutions from entering into affili-

ations with these other types of financial service providers?

- Does it make sense to let the interests of the consumer take a back seat to industry efforts to protect their markets in determining the structure of the financial services marketplace?
- Does it make sense that market innovations made possible by recent technological breakthroughs are stifled by a statutory framework enacted over 50 years ago?
- Does it make sense that savings and loan associations are subject to less demanding capital requirements than commercial banks but have substantially more latitude in product and geographic expansion than banks?
- Does it make sense that lawyers looking for ways to circumvent regulations are the primary business strategists rather than individuals who creatively seek to meet consumer demands?

Obviously, the answer to all of these questions is a resounding "No." Yet, questions such as these are raised by continued inaction. Congress has before it the opportunity to bring sense to the legal structure governing the financial services industry, and at the same time provide substantial consumer benefits. I urge you to move ahead with S. 2181.

## Appendix

### S. 2181: Financial Services Competitive Equity Act

#### Title I—Financial Institutions Competitive Equity

Title I would expand the permissible activities of bank holding companies and place the powers and regulation of bank holding companies and multiple savings and loan holding companies on a par. It contains many of the provisions of S. 1609, the Financial Institutions Deregulation Act (FIDA). In addition to FIDA provisions, Title I would also authorize consumer banks; impose geographic limitations on branching and interstate acquisitions; impose limitations on large bank and savings and loan holding company affiliation with insurance, securities and real estate firms, close the so-called South Dakota loophole, impose more stringent antitying provisions; and retain the unitary savings and loan holding company exception for "qualified lenders."

As I have indicated in this testimony—and numerous times in the past—we support the deregulation of the products and services that financial service providers may offer to their customers. We believe that Title I of S. 2181 is a significant step in this direction, as it expands the permissible activities of financial institutions through the holding company structure, thus

providing these institutions with a layer of risk insulation.

In brief, our position with regard to the major features of S. 2181 is as follows:

- We support the new, expansive definition of "bank" for the purposes of the Bank Holding Company Act provided there is an exemption for consumer banks;
- We support the expanded securities, real estate and insurance powers for holding companies;
- We support the proposed antitying safeguards, but believe that they should apply to banks and thrifts alike;
- We support the closing of the South Dakota loophole, and believe the loophole should be closed also for activities other than insurance;
- We are opposed to the inconsistent treatment of consumer banks and qualified thrift lenders; we believe that full-service securities firms should be able to own consumer banks;
- We are opposed to the geographical restraints imposed on acquisitions of consumer banks and thrift institutions by bank holding companies;
- We are opposed to the proposed concentration limits.

Specifically, we have the following comments regarding the provisions of Title I:

Definition of bank and consumer bank—The definition of "bank" in Title I closes, in part, the nonbank loophole which exists in the current definition of the Bank Holding Company Act. By including insured banks in its definition, the bill would subject to the Bank Holding Company Act all federally insured banks, even those that do not accept demand deposits or do not engage in commercial lending, although state-insured or uninsured banks and thrifts that engage in only one of the above-specified activities would continue to be exempt. In addition, the definition would specifically exempt consumer banks, as well as industrial banks, Morris Plan banks, industrial loan companies and similar institutions that do not both make commercial loans and take demand deposits.

We support redefining a bank so as to include all federally insured banks which are engaged in commercial lending. Conversely, institutions that do not use federally insured deposits to fund their commercial lending business should not be subject to the Bank Holding Company Act. Therefore, we support the exemption granted to "consumer banks" in this respect. The potential for abuses present when nonfi-

nancial firms affiliate with commercial lending firms is not present in consumer banks.

We also support a statutory definition of "commercial loans." As experience has shown us, this definition is crucial, and Congress should indicate its intent in clear and unambiguous terms in this area. In particular, we endorse the definition of commercial loans now proposed in S. 2181: it provides the well-balanced approach to the issue.

We are concerned that the exemption granted to industrial banks—as currently worded in Title I—leaves open the possibility that these institutions will become the "loophole" organizations of the future. One reading of the bill would lead us to conclude that, unlike consumer banks, industrial banks (or Morris Plan banks or industrial loan companies) would be exempt from the definition if they were to forego either commercial lending or accepting demand deposits. Another reading of the bill would indicate that industrial banks could be exempt even if they were to both make commercial loans and accept demand deposits. I fail to see any rational basis for such a distinction and believe that industrial banks should be subject to the same rules as consumer banks.

It is not clear whether the term "similar institution," as used in the exemption (p. 6, line 25), refers to consumer banks, industrial banks, and Morris Plan banks, or only to industrial loan companies. We would be happy to provide to the Committee drafting assistance to clarify the provisions regarding the definition of "bank" and the related exemptions.

Finally, I note that the exemption granted to consumer banks and their parent companies in Title I would not lift the prohibitions of the Glass-Steagall Act regarding affiliations between securities firms and banks. Consequently, a company which engages in the securities activities prohibited in 12 USC 377 would not be able to own directly a consumer bank which is a Federal Reserve member bank. In my opinion, there is no reason why a full-service securities firm should not be allowed to own a consumer bank. Inasmuch as consumer banks cannot engage in commercial lending, the concerns of the Glass-Steagall Act regarding the separation of commercial banking and securities businesses are not raised. Again, we would be pleased to assist in drafting an appropriate statutory amendment.

Qualified thrift lender—In my testimony, I have already commented on the concept of qualified thrift lenders and the arbitrary and inconsistent treatment of these institutions and consumer banks. In addition, the same inconsistency is repeated in the treatment of service corporations. On the one hand, the bill creates De-

entity, that makes service corporations—providing through such service corporations narrow but equal access to a depository institutions. On the other hand, the bill retains the current, more liberal service corporation option for the qualified thrift lenders—whether or not they have a parent company—and for all mutual thrifts. Thus, virtually the entire thrift industry is exempt from the proposed “equalization” of service corporation authority. This provides an additional incentive to shop for the most permissive charter.

There also appears to be a technical oversight in the qualified thrift lender provisions. As currently written, the bill exempts parent companies of qualified thrift lenders from the provisions of subsection (c) of 12 USC 1730a. Subsection (c) includes a provision prohibiting savings and loan holding companies and their subsidiaries from engaging in any activity which would evade the laws or regulations applicable to thrift institutions (and it currently applies to unitary savings and loan holding companies). Thus, under Title I, the parents of qualified thrift lenders would no longer be explicitly prohibited from evading the applicable laws. To avoid such a broad exemption, the bill should be amended to exempt qualified thrift lenders from the provisions of subparagraph (c)(1)(B) of 12 USC 1730a and paragraphs (c)(2) and (3)—not subsection (c) in its entirety.

Geographic restrictions—Title I contains a number of provisions imposing geographic limitations on acquisitions by bank holding companies. First, it applies a geographic limitation along the lines of the Douglas Amendment to the companies that own consumer banks. Second, the bill imposes geographic limitations on the acquisition of thrift institutions by bank holding companies, as well as on the subsequent branching of such acquired thrifts. In both respects, the bill contains some ambiguities and inconsistencies. For instance, it does not clearly indicate whether the Douglas Amendment would apply to a non-bank holding company that owns consumer banks. And, the restrictions obviously do not apply to the acquisition of industrial banks.

As I have indicated in my testimony, I am opposed to geographic restraints. The existing and proposed new restrictions are counterproductive to the process of deregulating financial services. Therefore, I believe that the proposed limitations should be eliminated.

Area footnote—We add note that the provision imposing geographic restrictions suffers from a technical deficiency. Literally, it would subject companies owning consumer banks, as of July 1, 1983, to a Douglas-type standard. Presumably, we can assume that companies that acquire consumer banks after July 2, 1983,

would not be subject to any geographic limitation. This ambiguity can be remedied by adding the words “or after” immediately preceding “July 1, 1983.”

Size limitations—Title I would impose a limitation on the size of combinations of banks or bank holding companies and other financial services firms. We are opposed to arbitrary size limitations which are not based on any clearly identified objective. The only thing that such restrictions will do is limit the flexibility of financial companies to serve the marketplace adequately and efficiently. I fail to see any need, beyond the scope of antitrust laws, to require limitations on potential concentrations between depository institutions and other financial servicers.

In my view, combinations of large firms that are not in the same line of business do not raise public policy concerns. With regard to nonfinancial industries and even nondepository financial industries, it is generally accepted that the antitrust laws adequately guard against detrimental effects of undue concentrations. It is also generally recognized that consolidations across industries do not raise similar concerns, particularly where the applicable statutes guard against coercive tie-in sales.

Additional antitying prohibitions—Title I would impose restrictions on the insurance sales activities of bank subsidiaries of bank holding companies. These restrictions are intended to create safeguards for the consumers of insurance services. Among other things, the bill would require a bank to provide a written explanation that credit insurance may be purchased from an independent insurer; to give a written commitment that credit will be granted, before soliciting insurance; not to reject unreasonably insurance provided by an independent insurer; and to provide a 30-day cancellation period for credit insurance.

We support these provisions of S. 2181. We have consistently supported safeguards against possible conflicts of interest between banks and their nonbank affiliates. However, the proposed safeguards do not apply to thrifts or other institutions which are not subject to the Bank Holding Company Act. In the interest of broad consumer protection and consistent regulation of various depository institutions, they should be made applicable to all financial servicers.

Bank service corporations—Title I would repeal the existing bank service corporation statute and create, instead, “depository institutions service corporations” where the service corporation powers and the investment authority would be essentially the same for banks and thrifts.

In many respects, the powers of the service corpora-

tions, as proposed in Title I, are similar to those contained in the statute which existed before the amendments effected by the Garn-St Germain Depository Institutions Act of 1982. However, unlike the old statute which allowed other than banks to invest in bank service corporations, Title I requires that all of the stock of the service corporation must be owned by one or more depository institutions. We believe that such an additional restriction would unnecessarily impede the capitalization and funding of the service corporation.

In addition, we note that section 2 of the proposed service corporation statute contains an apparent technical error. As currently written, the statute limits investments in "Depository Institution Service Corporations" to 10 percent of the financial institution's paid-in capital and unimpaired surplus. In the next sentence, similar investments are limited to 5 percent of the institution's total assets. We assume that the 10 percent limit was intended to apply to investments in any one service corporation. An appropriate correction should be made to that effect.

Real estate activities—Title I would permit bank holding companies and their subsidiaries to engage in real estate brokerage, as well as real estate investment and development within certain limitations. As we have indicated previously, we support the deregulation of banks' activities in this area.

However, we believe that the bill's prohibition of real estate construction is unnecessary. First, the existing statutes and the proposed new real estate powers would not, as a general rule, authorize banks to enter construction business. Second, there are limited exceptional circumstances (such as attempts to maintain or dispose of foreclosed properties), where it may be necessary for banks to undertake some form of construction.

South Dakota loophole—Title I would preempt states from permitting state banks to engage in insurance activities outside the state on a different basis from that permitted inside the state. This provision would close the so-called "South Dakota loophole." We believe that such a loophole is inequitable, and support this provision to close it. In addition, we believe that such loopholes should also be closed for activities other than insurance.

In this context, let me hasten to emphasize that my concern about the "South Dakota loophole" does not apply to a situation where a state permits state-chartered banks to engage in new activities within that state on the same terms as those for out-of-state activities. We believe that such measures are legiti-

mately within a state's rights and should not be subjected to a veto by a federal bank regulator.

Streamlined bank holding company procedures—Title I would significantly simplify the bank holding company reorganization procedures in situations where the shareholder of the bank receives substantially the same interest in the newly formed bank holding company. In effect, these provisions would make it easier for banks to form holding companies, which, in turn, could establish securities or other non-bank affiliates. We fully support these efforts to minimize the complexity of the existing regulatory processes. We also believe that the bank holding company formation could be further streamlined to reduce the time and money required especially in instances where compliance with merger procedures is necessary. We will provide you drafting language on these additional and simplified procedures in the near future.

### Title III—Bankers' Banks

In addition to a number of technical conforming amendments, this title would authorize bankers' banks to provide services to holding companies of depository institutions, their subsidiaries and personnel. It would also confirm that bankers' banks may invest in export trading companies engaged in the full range of services permitted to other bank-affiliated trading companies. In this respect, Title III would harmonize the provisions and terminology of the Export Trading Company Act of 1982, Pub. L. 97-290, and the Garn-St Germain Depository Institutions Act of 1982, Pub. L. 97-320, as they affect bankers' banks.

We support these amendments and urge their enactment as part of S. 2181 or as an independent bill. In addition, we suggest that Congress consider authorizing bank holding companies to invest in bankers' banks. Such an amendment would further strengthen the capital base of those institutions.

### Title IV—Interest on Reserves

Title IV would direct the FRB to pay interest monthly on reserves held against money market deposit accounts (MMDAs), super-NOW accounts, any other new transaction account authorized by the DIDC, and comparable credit union accounts.

The OCC strongly supports the payment of interest on all required reserves, not only those held against MMDAs and super-NOW accounts. Noninterest-bearing reserves represent an unfair tax on depository institutions, and during periods of high interest rates this tax can be especially burdensome. The imposition of noninterest-bearing reserve requirements also

place depository institutions at a competitive disadvantage compared to nondepository providers of financial services. For example, money market mutual funds, which also offer transaction accounts, escape reserve requirements by using zero balance checking accounts at depository institutions.

As a technical comment, we note the bill is ambiguous as to the types of reserves that earn interest (P. 67, lines 5-12). On the one hand, section 402 appears to imply that interest will be paid on deposits in an Earnings Participation Account. On the other hand, the next sentence then states that interest earnings shall be paid "to the depository institutions which maintain reserves pursuant to this paragraph" (i.e., presumably also vault cash reserves). I suggest that the language be clarified to indicate unambiguously the types of reserves that will earn interest.

#### Title V—Consumer Leases and Rental-Purchase Agreements

This title would consolidate the disclosure provisions for consumer leasing transactions and enact, for the first time, disclosure requirements for rental purchase agreements. As such, this title would not significantly affect national banks because, under existing law, their leasing authority is limited. National banks may engage in personal property leasing only to the extent it is incidental to the "business of banking," such as lending of money.

Nevertheless, we urge the inclusion of a stronger federal preemption provision to alleviate the current confusion regarding the applicability of similar provisions contained in state laws. The provision in Title V is rather narrow, preempting state laws only to the extent they are "inconsistent" with the federal law. The Federal Reserve Board is authorized to determine whether inconsistencies exist and whether the state law contains substantially similar requirements or gives greater protection and benefit to the consumer.

This type of federal preemption, however, does not address the problems of differences in characterization. Some state legislatures or courts have characterized the short term or terminable consumer lease with ownership options as a purchase or a credit sale. The result is that state disclosure requirements designed for credit sales would be applicable to terminable leases and would not be preempted by this title.

Additionally, in some markets, complying with more than one state's disclosure requirements may be burdensome, increasing the cost and expense of multiple jurisdictions. Without a stronger federal preemption, such multiple compliance will continue to

burden lessors and ultimately will result in increased costs to the consumer. One possible alternative would be to authorize the Board to consider whether the state law and multiple compliance unduly burden interstate commerce.

In this context, I also note that, in the past, this Office has supported an amendment to S. 1152 to expand national banks' leasing authority. To assure competitive parity between national banks and thrifts, we support an amendment similar to Section 330 of Garn-St. Germain Depository Institutions Act of 1982 that granted additional leasing authority to thrift institutions.

#### Title VI—Fair Deposit Availability

This title is designed to reduce the delay on the availability of checking account deposits to the consumer. To accomplish this objective, the title imposes four requirements on depository institutions: disclosure of general hold policies; an ANSI- or FRB-endorsement standard; notification of inability to pay on items of \$250 or more; and computing of interest on deposits from the date of provisional credit to the depository institution. The title also includes provisions for enforcement and civil liability.

We strongly support the disclosure principle to promote increased consumer information on the availability of funds. Disclosure is an effective means of enhancing competition and ensuring that the consumer can make an informed decision in choosing among depository institutions. Many institutions already provide written disclosure of their hold policies when a transaction account is opened; many instruct their staffs to inform the consumer when a hold would be imposed on a particular item at the time of deposit. In Banking Bulletin 84-8 (February 3, 1984), this Office reminded all national banks that such disclosure is consistent with the customary and prudent banking practices.

Likewise, the proposed requirement for the payment of interest to the depositor from the date of provisional credit to the bank appears equitable. Such payment of interest is both fair to the consumer and not unduly burdensome to the depository institution. As a competitive matter, many institutions already pay interest from the date of deposit or provisional credit, despite the difficulties of backing out interest on returned items.

On the other hand, we object to the notification requirement and the imposition of civil liability for non-complying institutions. The title requires payor banks to notify the depository institution of original deposit

within 24 hours of insufficient funds for checks of \$250 or more. Currently, under the Federal Reserve Banks' uniform policies, banks are required to provide notification for checks of \$2500 or more within the time limits set forth in the Uniform Commercial Code (by midnight of the banking day following the day of receipt of the item).

In practice, the \$2500 direct notification requirement has proven to be so unreliable that many institutions, despite the notification, are reluctant to charge back the depositor until the actual item is returned. Reliability and the practical application of the direct notification requirement will not improve by lowering the limit from \$2500 to \$250. Moreover, to apply the notification requirement to amounts as small as \$250 would increase significantly the number of items to be "exception processed" and would result in a substantial burden on operations and expenses of depository institutions. Since such costs will be reflected in service charges, imposition of such a requirement at the \$250 limit will be ultimately reflected in increased costs to the consumer.

Other less burdensome approaches to expedite the return check process may be to allow returns directly to the depository institution of original deposit, or to require a particular financial institution to act as a clearing house for all returns, or to amend the UCC to address excessive delays in the delivery of returns. These alternatives should be evaluated before imposing the proposed direct notification requirement.

The title would subject a depository institution to civil liability for intentional failure to comply with the requirements for disclosure or payment of interest. Although an institution would have "good faith" and "bona fide error" defenses, litigation of each alleged violation of the disclosure requirements would be costly and unnecessarily burdensome, and may encourage the filing of frivolous suits. We believe that supervisory enforcement of the relevant requirements will be a sufficient means of providing adequate consumer protection.

#### Title VII—Credit Deregulation and Availability

This title would permanently preempt state interest rate ceilings on business, agricultural and consumer credit. It would also provide states with a 3-year period to override the federal preemption and to impose rate restrictions of any amount and in any form.

The OCC continues to support the federal preemption of state usury ceilings. Such ceilings are ineffective and counterproductive, distorting the workings of the marketplace and adversely affecting certain classes

of borrowers as well as local economies. Instead of aiding weaker borrowers and encouraging local economic activity, usury ceilings tend to decrease extensions of credit and diminish such activity. The most effective means to ensure wide credit availability at affordable rates is through a strong, competitive financial system and sound national economic policies. By lessening existing restrictions in the financial marketplace as well as reducing inflationary pressures, overall interest rates will continue to decline.

Recognizing that states, traditionally, have had concerns regarding usury rates, we also support the provision permitting states to override the federal preemption, as it represents an equitable balancing of federal and state interests. We expect, however, that few states will exercise this provision, as they recognize the harmful effects of usury ceilings in integrated credit markets.

#### Title VIII—Demand Deposit Deregulation

Title VIII repeals the prohibition on the payment of interest on demand deposits by member banks, insured nonmember banks, and federal thrift institutions. The DIDC would be required to set maximum rates of interest on demand deposits equal to the rate established for NOW accounts.

As stated in previous testimony, we support demand deposit deregulation, but only as part of a comprehensive financial reform package. The removal of the prohibition against interest on demand deposits is the logical final step in eliminating interest rate ceilings, provided it is done in conjunction with the removal of product and geographic barriers. S. 2181 does remove many such barriers, and therefore, we support the removal of interest rate restrictions on demand deposits in this context.

The payment of interest on demand deposits would benefit all savers, and particularly small businesses. Unlike individuals who may hold NOW accounts, and large businesses which employ sophisticated cash management services, small firms generally may not be compensated on their transaction accounts. Title VIII would eliminate this inequity by enabling all depositors to earn interest on demand deposits.

Title VIII would also remove the inequity between depository institutions and money market mutual funds in the competition for corporate accounts. The deregulation of interest on demand deposits would allow depository institutions to offer the same interest bearing demand deposits to corporations that are presently being offered by money market mutual funds.

We also support Title VII, rather than some other bills on the same topic, because it does not expand the current authority of thrifts to accept demand deposits. It would be a mistake to grant thrift institutions the authority to accept demand deposits until the differences in the legal framework governing commercial banks and thrifts are removed. The disparities in capital requirements, tax treatment, geographic restrictions and the ability to offer new products should be eliminated before thrifts are permitted to offer demand accounts to all categories of customers.

#### Title IX—Fraudulent Use of Credit Cards and Debit Cards

Title IX of the bill expands and strengthens the current fraud provisions of the Truth-in-Lending Act and the Electronic Fund Transfer Act. Among other things, Title IX would define "credit card fraud" to include the misuse of account numbers. It would also increase the criminal penalties for second and subsequent convictions.

We strongly support Title IX as a means to stop the increase in credit card fraud. It is estimated that credit card fraud now exceeds \$1 billion annually. Eventually, this cost is passed on to all consumers. The existing statutes are not sufficient to deal with all forms of credit card fraud.

For instance, the courts have held that the present Truth-in-Lending Act does not apply to the fraudulent use of a credit card number. *See U.S. v. Callihan*, 666 F.2d 422 (9th Cir. 1982). Title IX would close this loophole, by providing criminal penalties for the misuse of actual or fictitious account numbers.

As a technical amendment, we suggest that the reference to "section 916" in section 901 be amended to read "section 916(b) of the Electronic Fund Transfer Act" and that the reference to "section 134" in section 902 be amended to read "section 134(a) of the Truth-in-Lending Act." As the bill is currently written, these references are confusing.

#### Title X—Interstate Banking

The title would authorize states to adopt interstate banking and branching standards subject to reciprocity or regional or other geographical limitations. The interstate authorization would be temporary, expiring after 5 years, unless the required Presidential report to Congress would recommend otherwise.

In the past, we have consistently supported geographic deregulation of banking. Such deregulation, coupled with increased regulatory powers, will significantly

enhance competition in the financial marketplace. The direct benefits of increased competition among financial services institutions will be a wider range of consumer choice and a climate conducive to industry innovation.

In addition to Title X, several other bills have been introduced which also propose geographic deregulation.

- Title X is an expanded version of Senator Tsongas' "New England Interstate Banking Act of 1983" (S. 1002) which would authorize regional or reciprocal arrangements by the New England states only.
- Senator Mattingly's "Interstate Banking Act of 1983" (S. 2113) is also an expanded version of S. 1002. It would permanently permit any state to authorize interstate banking. Although the bill in its operational provisions does not explicitly refer to reciprocity or regional conditions, it recognizes, in general terms, that legislation including a reciprocal or regional limitation would be considered to be enacted pursuant to the power of Congress to promote interstate commerce.
- Senator D'Amato's "Banking Geographic Deregulation Act of 1983" (S. 2107) would repeal the Douglas Amendment after 5 years. During the 5-year phase-in period, it would allow bank holding companies to establish or acquire, each year, one bank in two states. This bill would affect bank holding companies only.

While we would prefer more extensive geographic deregulation, we also welcome any—even partial—relaxation of the current restrictions. For instance, authorizing reciprocal or regional expansion may be a reasonable first step in the direction of nationwide interstate banking.

Title X amends the current Bank Merger Act to authorize interstate mergers of banks to involve a bank from another state if such mergers are explicitly authorized by the statute of the other state. However, Title X fails—by apparent oversight—to amend 12 USC 214-214c, which authorize the conversion, merger or consolidation of national banks with state banks, and Sections 215-215b, which authorize the consolidation or merger of national or state banks into national banks. These sections currently confine conversions, mergers or consolidations to the state in which the national bank is located. To achieve the intended purpose of Title X (and to create parity with the expanded merger authority of bank holding companies and thrift institutions), a specific amendment of these provisions is necessary. Again, we would be happy to provide drafting assistance in this respect.

## Remarks by C. T. Conover, Comptroller of the Currency, before the Reserve City Bankers Convention, Boca Raton, Fla., April 3, 1984

### “Boom or Doom: What’s in the Cards for Commercial Banks?”

It’s a pleasure to be here today. I would like to talk about something that is extremely important to all of us—what’s in the cards for commercial banks.

Today we stand at a crossroads; the path we choose will determine the future of commercial banking. Down one road is the bright promise of competition restored. Down the other is the threat of reregulation and a much smaller market share. Which path will it be, boom or doom? Much of it depends on how banks change their ways in the future.

As some of you are aware, there is one whole side of Congress that wants to turn back the clock and reregulate the financial services marketplace. It would be a big mistake to take their intentions lightly.

In spite of the benefits from removing interest rate ceilings, neither Congress nor consumers have been convinced of the need for further deregulation. Banks have done a poor job of educating the public about the changes that are occurring. And they have taken too many things for granted.

Customers don’t understand that banks have to charge higher fees to cover the increased costs that resulted from interest rate deregulation. Banks don’t explain it to them, but somehow expect them to understand anyway. Too many banks change their fee structure and let customers find out about the change the hard way—when they use the service. Other banks don’t tell customers how long it will take for a check to clear. And then they wonder why consumers have soured on deregulation.

But the future of commercial banking doesn’t have to be bleak. Remember I told you there were two paths. I’d like to take out my crystal ball and describe what the future of commercial banking could be and what it could mean to your customers. Then, I will lay out a plan to help us get to that bright future we all want.

### Banking in the Year 2000

As I gaze into the crystal ball, I can see that we are in the year 2000. Banks have been given extensive product powers and can branch without restrictions. Other firms have opened consumer banks. Regulation is now based on function rather than charter. So banks, savings and loans, brokerage firms, and insurance companies look very much alike. They offer the same products and services, are regulated by the

same regulators, and are competing for the same customers.

The computer has totally changed the role and practice of banking as we know it. Bankers no longer wait for a customer to walk through the door. In fact extensive networks of brick and mortar branches are obsolete. Instead, banks take advantage of the most modern technology in voice, data, and visual communications. A well-developed network of home terminals is in place that permits consumers to access information at any time of the day or night. Of course, it is possible to transfer funds, purchase stocks or other investments, buy insurance, list real estate, and secure the most favorable mortgage terms, all without venturing from your living room.

The bank has become the ultimate financial intermediary. Their biggest product is information. They are tied directly into a variety of computerized information networks and can access the latest research data instantaneously.

In fact, through their computer terminals customers have access to virtually all investment tools. Programs are available that rank and rate potential investments based on risk and return and a variety of other variables. The bank can provide business or individual customers with tailor-made lists of possible investment alternatives that meet the specific requirement of their individual investment strategies. These investment instruments include stocks, bonds, mutual funds, time deposits, money market funds, pools of mortgages, business and consumer loans, gold and precious metals, commodities or anything else considered valuable in the year 2000.

I can also see that from this close communication an increased level of customer loyalty has developed. Where customers once went to a dozen different institutions to obtain financial services, they now depend upon a single institution. The bank is the customer’s link to tax planning advice, and real estate and insurance activities. Naturally banks even handle equipment leasing, travel and entertainment services, and a variety of other specialized services.

### Consumers, Businesses and Banks Are Better Off

I wouldn’t be much of a soothsayer if I couldn’t tell you who the winners will be in this new world of financial

services. I can see that while banks will benefit consumers and small businesses are the real winners from this new competition. They are receiving better products and services at better prices and are able to use a more convenient delivery system. Let me describe a few specific ways that they have gained in this new marketplace.

Banks offer cash management services that compete directly with those provided by securities firms. The forces of competition have lowered the minimum deposit requirements and made these accounts available to more consumers and businesses.

Banks originate, package and sell loans and equity participations to investors. This provides a lot more long term capital for businesses and a lot more jobs. Banks even package small business loans as mutual funds which they privately insure.

With insurance powers, banks also have developed credit insurance for commercial loans. This insurance is an essential part of a flowering secondary market. Banks also provide other flexible insurance products at cheaper rates, and they charge lower real estate fees and cheaper rates for leasing equipment.

To sum it all up, the future for financial services looks like a winning proposition for banks, consumers, and businesses. It is providing more flexible services that better meet everyone's needs.

## Where We Are Today

In a real sense, the marketplace is developing along the lines I have just described. Technology is taking on increasing importance each day. One of your strengths is that you realize this better than many of your competitors. But to participate in the fast-paced future I have just described requires action. You will have to find a way to move successfully from the restrictive world of Glass-Steagall, Douglas and McFadden to one where banks are allowed to participate and compete.

## OCC Helps the Transition

The Comptroller's office has been acting as an agent of change to help ensure that banks can make the transition to this new world of financial services. But we can't do it alone.

Since I became Comptroller, we have been able at least to loosen the choke hold of unnecessarily tight regulations on community banks. We have authorized community banks to offer discount brokerage and

investment advisory services. We have permitted banks to provide common trust funds for the collective investment of IRA contributions. We have allowed them to operate futures commission merchant subsidiaries, to lease space to insurance agents, and to provide credit life insurance, and to offer plain English trusts which can broaden the market for trust services.

In addition, we have given banks greater flexibility in structuring loans to meet the needs of the marketplace. We raised the legal lending limit. We have significantly liberalized our real estate regulations. We issued a flexible regulation on adjustable-rate mortgages. We removed portfolio limits and restrictions on loan-to-value ratios and terms to maturity for real estate loans. And we permitted banks to enforce due-on-sale clauses.

Barriers to entry into the financial services system have also been reduced. The procedures for obtaining a national bank charter have been streamlined. The process for forming and acquiring operating subsidiaries has been simplified. And we eliminated or reduced the length, complexity and processing time for many of our applications.

## What Still Needs to Be Done

But today the job is still only half done. The full benefits of deregulation will only be available to bank customers when banks get added flexibility through new product powers, a removal of geographic barriers, and regulation based on function. Legislation is now being considered that would address each of these areas.

The new Garn Bill would provide you with the new product powers you need to compete with Sears, Merrill Lynch and American Express. At the same time it would complete the process of interest rate deregulation by allowing you to pay interest on demand deposits.

The new Garn Bill would also be a politically realistic first step to interstate banking. It would put the federal blessing on the regional approach to interstate banking.

The recommendations of the Bush Task Force would bring us closer to functional regulation. The Federal Reserve would keep regulatory authority over the 50 biggest bank holding companies, but other national bank holding companies would be regulated by the same regulator as all national banks. The FDIC would concentrate on deposit insurance, the SEC would regulate bank securities activities, and the Justice Department would handle bank mergers.

All the ingredients are there for a boom in commercial banking. Now you need a plan to make legislative proposals become laws.

## A Plan For the Future

To get what you want, further deregulation, there are three things you're going to have to do.

First, banks have to communicate better. They must keep the public informed about fees, funds availability, and other customer obligations.

Second, the banking industry has to explain the benefits of further deregulation to its customers. Tell them how they will benefit from one-stop financial shopping. Let them know that when you have insurance and real estate powers, they will pay lower costs. Explain that by gathering and pooling mortgages and selling mortgage-backed securities, mortgage interest rates will

become more competitive. Tell them that you will be able to provide better services for small business. Let them know about all the benefits they stand to gain.

Then, when you have convinced your customers that further deregulation is a good idea, the next step is selling it to Congress. You'll discover that is much easier to do, after you have sold the need for deregulation to their constituents, your customers.

Reregulation may be a dirty word to everyone in this room, but it is also one that none of us can afford to ignore. It's a big dark cloud looming over what could be a bright future. Don't let it rain on your parade.

That's my prescription for success. It's going to take decisive action on your part. Today nobody wants to give the banks anything. If you want further deregulation, you're going to have to fight for it, and it will be an uphill battle. But it's better than the alternative. So which will it be—boom or doom? It's up to you.

## Statement of C. T. Conover, Comptroller of the Currency, before the Subcommittee on Financial Institutions Supervision and Insurance of the House Committee on Banking, Finance and Urban Affairs, Washington, D.C., April 4, 1984

Mr. Chairman and members of the Committee, thank you for allowing me the opportunity to express my views on the subject of delayed funds availability and on H.R. 5301, the expedited Funds Availability Act. I will address the problems associated with the practice of delaying the availability of funds as well as discuss alternative solutions to these problems. In summary, I agree with those portions of the Act that call for improvements in the check clearing system, but do not believe that specific legislated clearing schedules are necessary. I believe that continued efforts toward disclosure of institutions' policies on funds availability should be made, however.

### Background

A financial institution's practice of placing a hold against a check is based on the fact that the item may not be paid. If funds are made available to a customer and the check is subsequently returned unpaid, the financial institution may suffer a loss if the customer has withdrawn the funds and has no other means of covering the check. Further, even if the item is paid, a financial institution that makes funds available to the depositor before it collects on a check is essentially

making an interest-free unsecured loan to that customer.

The customer is also at risk in this situation for two reasons. Checks may be drawn against a deposit that is later returned unpaid, potentially causing an overdraft situation with overdraft charges, embarrassment and credit threatening implications. Also, the depositor's ability to collect from the person who paid him or her with a non-sufficient funds (NSF) check may be impaired if the NSF item is not returned quickly.

Delays in check clearance generally do not arise from the check collection process itself. Although the amount of time it takes to clear a check varies greatly depending on the route it takes through the collection system, check *collection* has become a highly automated and efficient process, thus usually ensuring a fast clearance.

However, the unpaid check *return* part of the process is very slow and expensive because it is not automated. The reason for this disparity is simple. Because all checks must be collected, a substantial investment has been made in developing nationwide automated

payments system for the clearance process. However, less than one percent (1%) of all checks are returned unpaid. As a result, a similar investment has not been made in the return item process, which is largely manual.

Due to this manual return process, financial institutions never know for certain if a deposited item has cleared. They are only aware when an item fails to clear and then only when the item itself is returned unpaid. Due to the lengthy and variable time required for return items, some financial institutions hold deposits until enough time has passed to make it likely that a deposited item has cleared successfully. This is not an academic issue. Under the existing clearing and return process, this can be an advisable business practice that protects institutions against losses. Such losses can be serious in the case of fraudulent schemes where checks are systematically drawn against credited funds that are never collected. While no national banks have failed in the past several years due to such check kiting, many have been forced to raise substantial capital on short notice to prevent failure.

## Problems

The practice of setting some holding period for deposited checks thus is a reasonable practice. However, unknown or excessive delays in funds availability to the customers can cause embarrassment, inconvenience and in some cases real financial hardship when an attempt is made to draw on funds for which credit has not yet been given.

These problems associated with delayed funds availability have three causes. First, because of inadequate disclosure, the customer may not be aware of the depository institution's funds availability policy. Second, inadequate disclosure has resulted in a lack of competitive pressure to shorten hold periods that are more lengthy than necessary under sound banking practices. A final problem is that the return item process, through the payments system, simply takes much too long, even when banks are pressured by competition to minimize holds.

## Solutions

These problems call for different, and equally important, solutions. The first is to encourage market solutions through disclosure and other voluntary efforts. The Comptroller's Office strongly believes that disclosure of bank hold policies ensures that the consumer can make an informed decision in choosing among depository institutions. More importantly, disclosure will enhance competition and the marketplace pres-

sure on institutions to eliminate holds that are longer than necessary.

Most institutions already provide written disclosure of their hold policies when a transaction account is opened and may also instruct their employees to inform the customer at the time of deposit if a hold will be imposed on a particular item. This Office also reminded all national banks in Banking Bulletin 84-8 dated February 3, 1984 that such disclosure is consistent with customary and prudent banking practices. We have provided our examiners with a comprehensive questionnaire which they are now using to scrutinize a bank's disclosure and funds availability practices.

In addition, this Office participated with the Federal Reserve, FDIC and FHLBB in issuing a joint policy statement (dated March 22, 1984) that calls upon financial institutions to refrain from imposing unnecessary delays in making funds available to their depositors. The policy statement requests that institutions review their policies with the objective of reducing delays consistent with prudent banking practices and the actual risk of loss. Institutions are encouraged to be flexible and not to impose arbitrary or unnecessary delays without regard to whether a particular situation actually presents a risk of loss.

We are hopeful that these renewed efforts to encourage voluntary solutions will go a long way toward solving this problem, and avoid the need for rigid legislation and cumbersome implementing regulations. It will be several months before we can effectively analyze the results of these efforts, but there is already some indication that they are bearing more fruit than past industry-led efforts.

Second, improving the check return process to allow unpaid items to be directly returned to the depository institution of first deposit will go far toward improving the critical weakness of the check clearing system. We strongly support the Federal Reserve's innovative efforts at their Dallas bank and elsewhere. We understand their three-phase experiment, in which return items are sent directly from the payor bank to the bank of first deposit, has greatly improved the availability of funds to customers. This improved processing, if implemented on a national basis, may require significant settlement changes and legal adjustments, but this Office will support any such efforts to remove the barriers to fast and efficient return item processing.

With increased disclosure and basic improvements in the return process, I do not believe that legislating a prescribed availability schedule would be necessary or warranted. In fact, such action could be detrimental

to consumers. If implemented before the return process is improved, prescribing shorter holds may simply force institutions to protect themselves against potential loss in other ways. This could mean higher fees, screening of depositors, or other indirect means of minimizing or offsetting losses. Additionally, requiring shorter holds increases the chances that a customer will overdraw an account by writing a check against a deposit that is later returned unpaid. Legislating a schedule for funds availability simply does not reach the root of the problem.

## Conclusion

Mr. Chairman, I support the section of the Expedited Funds Availability Act that calls for improvements in the check return system. However, while I strongly support increased disclosure of consumer information, I would hope that our renewed emphasis in this area will bear fruit without legislation. Moreover, I do not believe that specific legislated time schedules will solve the funds availability problem without causing other problems for consumers and banks.



# Interpretive Letters—January 15 and March 15, 1984

Topic	Letter No.
<b>Laws</b>	
12 USC 24(7).....	276, 277
12 USC 29.....	278
12 USC 72.....	279
12 USC 78.....	276
12 USC 92a.....	276
12 USC 221a.....	279
12 USC 371.....	282
12 USC 371c.....	279
12 USC 377.....	276
12 USC 378.....	276
12 USC 484.....	277
12 USC 1841.....	279
12 USC 3102.....	280
<b>Regulations</b>	
12 CFR 2.....	281
12 CFR 5.34.....	277
12 CFR 7.3025.....	278
12 CFR 7.7495.....	277
12 CFR 9.....	276
12 CFR 29.....	282
<b>Subject</b>	
Foreign branches and agencies.....	280
Glass-Steagall Act.....	276



This is in response to your letter of November 22, 1983, to the Comptroller of the Currency. That letter requests a legal opinion regarding a proposed \*\*\* (Bank) fiduciary service to be called "\*\*\* Trusts." Specifically, you have asked whether the proposed service will be permissible under the Glass-Steagall Act, 12 USC 24(Seventh), 78, 377, and 378, and the Comptroller's regulations at 12 CFR 9 (fiduciary powers of national banks).

### The Proposal

The proposal, as I understand it, is as follows. In order to make its fiduciary services available and attractive to a larger number of people, Bank has proposed offering to administer a trust written in plain English with a required minimum corpus of \$20,000—a figure substantially lower than that previously required.

All \*\*\* Trusts would contain the following terms. The grantor must be an individual. The beneficiary must be a named individual other than the grantor or the grantor's spouse. The purpose of the trust must be to provide for the benefit of the beneficiary, including the education, support, and welfare of the beneficiary. The corpus of the trust may be invested in Bank insured deposit instruments, United States government obligations, or Bank common trust funds. The fee will be as stipulated from time to time in Bank's regular schedule of fees for trust services. The trust will be irrevocable. The trustee will have the right to resign at any time by giving written notification to the grantor and to the beneficiary or the person then having care or control of the beneficiary. The trust will be governed by New York State law.

The Trusts will be offered in two forms—"Trust A" and "Trust B." Under Trust A, income will be paid to or applied for the benefit of the beneficiary by the trustee. If the beneficiary is over the age of 21, income must be paid or applied not less than annually. If the beneficiary is under the age of 21, the trustee may accumulate and invest the income, and pay to or apply for the benefit of the beneficiary so much of the income and accumulated income as the trustee, in its discretion, deems appropriate. Any income or accumulated income remaining on hand when the beneficiary becomes 21 will be paid to the beneficiary, and if the beneficiary dies before reaching age 21, any income or accumulated income remaining on hand will be paid to the beneficiary's estate. No additions to or withdrawals from the principal of a Trust A may be made after the initial funding. Trust A will terminate either (a) upon the death of the beneficiary, or (b) at a specific date, not less than 10 years and 1 month from the date of funding, or upon the beneficiary's death

prior to that time. Upon termination, the principal will be paid to the grantor or the grantor's estate.

Under Trust B, income may, in whole or in part, be paid to or applied for the benefit of the beneficiary or may be accumulated and added to principal, in the discretion of the trustee. The trustee may also invade principal for the benefit of the beneficiary, consistent with the purpose of the trust. Additions to the trust principal of Trust B may be made with the trustee's prior approval. No withdrawals will be permitted. The beneficiary of Trust B must be under the age of 21 at the creation of the trust. Trust B will terminate when the beneficiary reaches the age of 21, or upon the beneficiary's death prior to that age, or when, in the discretion of the trustee, the size of the trust no longer serves a practical purpose. Upon termination, the principal and any accumulated income will be paid to the beneficiary or the beneficiary's estate.

In deciding whether to make payments under Trust A or Trust B, the trustee may, but is not required to, consider other resources of the beneficiary, and may rely on information received from the beneficiary, a parent or guardian of the beneficiary, or any person or institution acting on behalf of the beneficiary.

Bank will market its service as trustee of Trusts as a fiduciary service. Bank plans to make the availability of the service known through materials such as a brochure describing the Trusts and a form containing "key questions and answers" about Trusts (representative samples of these documents have been provided the OCC by the bank). Bank may also advertise the availability of Trusts in newspapers or through promotional mailings. Bank has stipulated that it will not promote Trusts as a means of investing money in, or gaining access to, Bank's common trust funds. However, in the materials about Trusts it will briefly describe common trust funds to make appropriate disclosure that the trustee may invest trust assets by means of one or more of Bank's common trust funds.

A Trust will be funded by the grantor with cash. If a prospective grantor seeks to borrow money from Bank to fund a Trust, Bank has stipulated that it will apply normal lending criteria in determining whether to make the loan. Any loans by Bank to prospective grantors will be for a term and will require at least partial repayment of principal before the end of the term. Neither interests in a Trust nor interests in the assets in which the funds of those trusts are placed may be used to secure any loan to the grantor from Bank. The grantor will state on the application form whether the money used to fund the trust was borrowed in whole or in part, from Bank or any other source. The trustee

in its sole discretion will place the trust assets in one of the investments stipulated in the trust agreement, i.e., Bank issued deposit instruments, Bank common trust funds, or United States Government obligations. However, if the application form states that the money used to fund a trust was borrowed, in whole or in part, from Bank or any other source, the trustee will not invest any assets of the trust by means of Bank's common trust funds.

Regarding recordkeeping, Bank will provide to the beneficiary or the beneficiary's guardian or legal representative the same type of reports concerning transactions involving trust assets that it provides in connection with other personal trusts it administers. These will include a quarterly statement of all trust transactions, an annual report listing the investments of trust assets and their current market value, and annual tax information. In addition, if trust assets are invested by means of one or more of Bank's common trust funds, the beneficiary will receive a copy of the annual report of the appropriate Bank common trust funds. The trustee will maintain records of all trust investment transactions, income, disbursements, and commissions.

Bank as trustee will receive compensation for its services under a Trust A or Trust B in the amount provided in its regular schedule of fees for trust services. At this time, that amount is one percent of the trust assets or \$250, whichever is greater. There will also be a processing fee, currently \$25, for any payment in excess of four payments annually. Fees will be charged to trust income. There will be no extra fee chargeable to the trust if Bank as trustee decides to invest trust assets by means of Bank's common trust funds.

Other provisions of the proposal relating particularly to the administration of these Trusts are more conveniently set out below in the discussion of Part 9.

### Fiduciary Powers and the Glass-Steagall Act

You request confirmation of your opinion that Bank's Trust service is a fiduciary activity in conformity with Regulation 9 of this Office, 12 CFR Part 9. Trust A and Trust B are examples of traditional trust arrangements both in their form and their purposes. Accordingly, in my opinion, Bank, as a national bank with trust powers, is empowered to offer this service as a fiduciary activity pursuant to 12 USC 92a. As you have described the manner in which Bank intends to offer and administer these trusts in compliance with this Office's Part 9.

Consistent with approved national banks to act as

fiduciaries in general, and as trustees in particular, to the extent that state banks or trust companies are permitted so to act under the laws of the state in which the national bank is located, 12 USC 92a(a). See also 12 CFR 9.1(b)-(c) (definitions in the Office's regulation restating statute). Both Trust A and Trust B provide that New York law governs the trusts. In addition, Bank is located in New York. New York law expressly permits banks and trust companies to exercise the fiduciary powers of a trustee. New York Banking Law Sections 100, 139 (McKinney 1971). Under New York law, the term "trust" includes "any express trust of property, created by a will, deed or other instrument, whereby there is imposed upon a trustee the duty to administer property for the benefit of a named or otherwise described income or principal beneficiary, or both." New York Estates, Powers, and Trusts Law Section 11-1.1(a)(2) (McKinney 1967). Under established New York case law an express *inter vivos* trust of personal property is created where the following four elements are present: (1) a designated beneficiary, (2) a designated trustee, (3) a fund, and (4) delivery of the fund to the trustee. See, e.g., *Brown v. Spahr*, 180 N.Y. 201, 73 N.E. 14, 16-17 (1904).

These four elements appear to be met in the Trusts. I note in this regard that the bank has obtained a legal opinion from New York trust counsel that the Trusts are irrevocable express *inter vivos* trusts under New York law. Trust counsel also stated its opinion that the Trust A and Trust B instruments are sufficient to establish the trusts, "upon execution of an instrument in the form of Trust A or Trust B and delivery by a donor of funds to Bank, as trustee thereunder, an irrevocable express trust of personal property, valid and enforceable under New York law, will be created." Accordingly, inasmuch as the Trusts are fully valid and enforceable trusts under New York law and Bank is empowered by the national banking laws to act as a trustee, I must conclude that Bank may offer and administer such trusts just as it offers other varieties of trusts.

It is sometimes argued that the mere fact that a particular arrangement has the status and nomenclature of a trust under state law is not alone sufficient to bring such an arrangement within the fiduciary capacity of national banks. That argument need not arise in this context because Trust A and Trust B are plainly endowed with the traditional fiduciary character. The trusts are irrevocable and have a term of at least 10 years and 1 month; they must have a specific beneficiary or beneficiaries; the settlor cannot be the beneficiary; the trustee has discretion in investing the assets and disbursing funds for the beneficiary; the settlor does not have power to control investment or disbursement. Moreover, the purpose of these trusts is to provide for the education, support, and welfare of

designated beneficiaries such as children or older family members. The structural features and the purposes of these particular trusts bring them clearly within the core zone of bona fide fiduciary purposes. The only major differences between these Trusts and other trusts for the support of designated beneficiaries which Bank traditionally has administered is the minimum size of the trust corpus and the corresponding complexity of the instrument. It is well established that the size of the corpus is not determinative of a fiduciary purpose. Also, I do not believe Congress intended to limit national banks' fiduciary powers under 12 USC 92a by the size of the trust assets and therefore make trusts available only to individuals with significant financial resources. As technical advances occur, it becomes possible to manage smaller trusts feasibly. This will bring the benefits of professional trust asset management to individuals of more average financial means.

As trustee of a Trust, Bank will be subject under New York law to strict fiduciary duties and responsibilities, including those of prudence, care, accountability, and undivided loyalty, in all aspects of the administration of the trust. See, e.g., New York Estates, Powers and Trusts law Section 11-2.2(a) (McKinney 1967 & Supp. 1983); *In re Ryan's Will*, 291 N.Y. 376, 52 N.E.2d 909 (1943); *In re Morgan Guaranty Trust Company (First Discretionary Common Trust Fund)*, 89 Misc. 2d 1088, 396 N.Y.S.2d 781 (1977); *In re Richards' Will*, 10 N.Y.S.2d 510 (1939). See also 12 CFR 9.12 (OCC regulation concerning self-dealing by trustees). See generally Restatement (Second) of Trusts Sections 169–185 (1959) (duties of the trustee). In this respect Bank will be held to at least the same fiduciary standards for the Trusts as for other trusts it administers under New York law.

Moreover, as a national bank acting as trustee, Bank must operate and administer the Trusts in accordance with the requirements of Part 9 of this Office, 12 CFR Part 9. After reviewing your description of the Trusts and the documents concerning the trusts which you provided, I am of the opinion that Bank's planned operation and administration of these trusts will be in conformity with the requirements of Part 9.

According to your description of the Trust service, Bank plans generally to administer each trust in the same manner as its other trusts. Of course, each step in the operation and administration is simplified in keeping with both the overall intent of offering a straightforward and convenient customer service and the needs of the restricted nature of these particular trusts. However, your description indicates that all actions appropriate and necessary under Part 9 are taken.

An individual wishing to establish a Trust will submit to Bank a Trust A or Trust B instrument together with a completed application form with personal information about the prospective grantor and beneficiary. A Bank trust representative will contact the prospective grantor to discuss the terms of the trust, explaining the proposed trust agreement and gathering information about the needs and resources of the beneficiary. Thereafter, Bank's Personal Administrative Review Committee will review the application and determine whether to accept the trust, as required by 12 CFR 9.7(a). The Personal Administrative Review Committee is an existing standing committee established by the Board of Directors in compliance with Section 9.7(a) to perform this function for other trusts, as well as for the proposed Trusts. The committee will consider whether the trust serves a valid and legal purpose and whether the instruments creating the trust are in order. If the committee decides to accept the trust, the grantor will be so notified.

Once each trust is accepted by the bank and established, a specific trust representative will be assigned to each trust. The trust representative's name and telephone number will be given to the grantor and the beneficiary. The trust representative will select the initial investment or investments of trust assets subject to the approval of Bank's Personal Investment Review Committee. This Committee also is an existing standing committee established by the bank's Board of Directors in compliance with Section 9.7(a) to perform the investment review function for other trusts as well as for the proposed Trusts. Bank, as trustee, has sole discretion to select proper investments from the alternatives listed in the trust instrument, after considering the purpose of the trust, the current and anticipated needs and other resources of the beneficiary, and any other pertinent information. The placement of trust funds in Bank deposits would be expected to comply with the requirements of 12 CFR 9.10 and 9.12.

Bank will periodically request information from the grantor and the beneficiary concerning changes in the circumstances of the beneficiary. At least once a year, in accordance with the requirements of 12 CFR 9.7(a)(2), the trust representative, subject to the approval of the Personal Investment Review Committee, will reevaluate the trust and the investments of the trust in light of current circumstances known to the trustee. Bank as trustee will provide to the beneficiary or the beneficiary's guardian the same type of reports concerning transactions involving trust assets as it provides for other personal trusts it administers. Bank will receive compensation for its services under a Trust A or a Trust B in the amount provided in its regular schedule of fees for trust services. In summary, including provisions not set out here, Bank intends to

administer these trusts like other personal trusts, adhering to the provisions of New York trust law and Part 9.

As it does for many of the other individual personal trusts administered in its trust department, Bank plans to invest funds from the Trusts collectively in already existing Bank common trust funds which have been established and are operating pursuant to 12 CFR 9.18. The trust instruments list the common trust funds among the possible investment alternatives. Accordingly, it is expected that assets of some Trusts will from time to time be placed in existing Bank common trust funds. However, as noted earlier, any trust assets comprised of borrowed funds will not be invested in common trust funds. Moreover, if Bank loans funds for the trust corpus, neither interests in the trust nor interests in assets in which trust assets are placed will be used to secure such loans. See 12 CFR 9.18(b)(8)(i) (bank may not lend on the security of a participation in a fund). The bank will not create any special funds for Trusts. For each such trust, the bank, through the trust representative and review committee, will determine what part of the trust assets should be placed in common trust funds and in which common funds the assets should be placed.

The use of common trust funds for more efficient management of trust assets is a recognized tool for bank trust departments. This Office's pertinent regulation states in part, "[F]unds held by a national bank as fiduciary may be invested collectively . . . [i]n a common trust fund maintained by the bank exclusively for the collective investment and reinvestment of moneys contributed thereto by the bank in its capacity as trustee . . ." 12 CFR 9.18(a)(1). As indicated above, the individual Trusts are bona fide trust accounts administered by Bank in a fiduciary capacity. As such, they—like any other appropriate fiduciary account—may be invested in common trust funds under Section 9.18.

This Office's regulation restricts the degree to which a bank may advertise or publicize its common trust funds. The common trust funds' financial reports may be turned over to prospective trust customers but the fact of the availability of the report may be given publicity solely in connection with the promotion of the fiduciary services of the bank, 12 CFR 9.18(b)(5)(iv). A bank cannot otherwise advertise or publicize its common trust funds, 12 CFR 9.18(b)(5)(v). In my opinion, Bank's intended method of marketing its Trusts, as previously described, does not violate this advertising restriction. As understood, the bank will publicize only its Trust service. With regard to the common trust funds, the marketing materials include only a statement that the assets may be placed in Bank common

trust funds, a very brief description of a common trust fund, and a statement that financial reports on Bank's funds are available upon request. No particular information about Bank funds, such as performance, is included. Only those who specifically request information will receive reports on the bank's common trust funds. This marketing program meets the requirement that common trust funds may be publicized solely in connection with the promotion of the bank's fiduciary services, e.g., the Trusts.

Bank will be marketing the Trust, not its common trust funds. There will be no general solicitation of accounts to be invested in common trust funds. Moreover, the individual trusts themselves have a traditional trust structure and are for bona fide fiduciary purposes. Therefore, in my opinion when Bank, as fiduciary for each of these trusts, places some portion of their assets in Bank common trust funds it is acting within the authorized scope of Section 9.18(a), and its common trust funds retain their character as funds maintained by the bank exclusively for the collective investment of moneys contributed to the funds by the bank in its capacity as trustee.

You also ask for confirmation of your view that the Trust service, including the placement of trust funds in a Bank common trust fund, would not violate the provisions of the Glass-Steagall Act. I fully agree with your view.

As discussed previously, the Trusts will be bona fide trusts under New York law and consistent with this Office's Part 9. The commingling of the funds of such trusts in bank collective investment funds was unequivocally found by the Supreme Court to be permissible under the Glass-Steagall Act in *Investment Company Institute v. Camp*, 401 U.S. 617 (1971) ("*ICI v. Camp*"). In that case, the Supreme Court held that a national bank violated the Glass-Steagall Act when it commingled the assets of managing agency accounts in its collective investment funds. In contrasting that impermissible practice with permissible bank activities, the Court stated that "[f]or at least a generation . . . there has been no reason to doubt that a national bank can, consistently with the banking laws, commingle trust funds." 401 U.S. at 624.

As was noted in *Board of Governors of the Federal Reserve System v. Investment Company Institute*, 450 U.S. 49 (1981) ("*ICI v. Board*") the Court's decision in *ICI v. Camp* was based "squarely on the literal language of Sections 16 and 21 of the Glass-Steagall Act." 450 U.S. at 65. However, in *ICI v. Camp* the Court extensively reviewed the hazards and abuses Congress intended to prevent through the Glass-Steagall Act not as a further test of legality under the

Act but rather in order to demonstrate that the Court's interpretation of the literal language of the Act was consistent with the congressional intent. Significantly, after discussing how the commingling of agency accounts posed these potential hazards and abuses, the Court stated that they are not present "when a bank undertakes . . . to commingle assets which it has received for a true fiduciary purpose rather than for investment." 401 U.S. at 368.

Given the above, it is appropriate to note that the Trust service will involve the commingling only of assets which the bank has received for a "true fiduciary purpose rather than for investment." The question of the "true fiduciary purpose" of the Trusts has been discussed earlier in this letter and need not be repeated here. Suffice it to say that, in my view, the Trusts are bona fide trusts for purposes of New York law and are consistent with the Comptroller's Part 9. The Trusts are also particularly unsuitable for mere investment purposes. This is demonstrated by the fact that under the terms of a Trust, the grantor makes irrevocable gifts of income (Trust A) or income and principal (Trust B), provides for payment to a third party beneficiary, and relinquishes to the trustee all power to control either investment or disbursement.

The Supreme Court has indicated that a bank does not violate the Glass-Steagall Act when it commingles trust funds. The funds of the Trusts will be such funds. Thus, the investment of these funds in Bank common trust funds will not violate the Glass-Steagall Act.

In summary then, it is my opinion that the Trust service described in this letter is fully consistent with the Comptroller's Part 9 and the Glass-Steagall Act. My conclusions in the foregoing discussion are offered solely as to the legality and propriety of Bank's Trusts under the applicable provisions of the national banking laws, principally 12 USC 92a, 12 CFR 9, and the Glass-Steagall Act, and not for any other purpose.

I trust this has been fully responsive to your request for a legal opinion.

Brian W. Smith  
Chief Counsel

\* \* \*

**277—December 21, 1983**

George P. Whitley, Esq.  
Mays, Valentine, Davenport & Moore  
Post Office Box 1122  
Richmond, Virginia 23208

Dear Mr. Whitley

This concerns the application of First and Merchants National Bank, Richmond, VA (F&M) to acquire Security Atlantic Life Insurance Company (SALIC) as an operating subsidiary. SALIC is an Arizona corporation which is currently wholly owned by First & Merchants Corporation, the parent holding company of F&M. SALIC is in the business of underwriting, as a reinsurer, credit life and credit accident and health insurance (credit life insurance) in connection with extensions of credit by F&M and its subsidiaries, and is subject to the regulatory authority of the Arizona Insurance Department.

In 1973, the Board of Governors of the Federal Reserve System approved the application of First & Merchants Corporation to acquire all of the voting shares of SALIC to engage, *de novo*, in reinsuring credit life insurance sold in Virginia, North Carolina, Maryland, Georgia and Ohio. At the present time, SALIC reinsures policies sold only in Virginia.

As you recognized in the application, this Office has not, up to this time, permitted national banks to engage in credit life insurance underwriting or reinsurance through an operating subsidiary. In a June 8, 1979 letter reprinted at [1978-79 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,174, Assistant Chief Counsel Ford Barrett set out three concerns that would have to be addressed before the OCC would approve a national bank's investment in a credit life insurance underwriting or reinsurance subsidiary. First was the question of whether this activity is incidental to the business of banking within the meaning of 12 USC 24(Seventh). Second was the extent to which the Comptroller would be required to share supervisory responsibility over the credit life subsidiary with state insurance officials by virtue of the McCarran-Ferguson Act, 15 USC 1010, which generally gives the states authority to regulate the insurance business within their borders. Finally, the Office had some concern about its lack of experience in supervising life insurance companies. Each of these concerns will be addressed in relation to F&M's application.

Initially, it should be noted that the sale of credit life insurance by a national bank, whether acting as agent or as the holder of a group policy, is clearly incidental to the business of banking under 12 USC 24(Seventh). Banks have traditionally offered credit life insurance to borrowers in order to provide protection for loans. A federal court of appeals, in upholding a national bank's ability to engage in this activity, stated that "credit life insurance is now commonplace and essential where ordinary loans on personal security are involved." *IBAA v. Heimann*, 613 F. 2d 1164, 1170.

1492 (Cir. 1979) *reprinted* 149 U.S. 823 (1980). Moreover, OCC regulations expressly permit a national bank to offer credit life insurance to its loan customers. 12 CFR 2.6.

As explained below, the underwriting or reinsurance of credit life is a logical complement to a national bank's power to sell credit life. This activity is incidental to banking under even the more restrictive interpretations of 12 USC 24(Seventh) since it is "convenient or useful in connection with the performance of one of the bank's express powers under the National Bank Act," specifically the express power to lend money. *M & M Leasing Corp. v. Seattle First Nat'l Bank*, 563 F.2d 1377, 1382 (9th Cir. 1977).

Underwriting credit life insurance is not a new activity for national banks. Since 1964, this Office has authorized national banks to provide for losses arising from the cancellation of outstanding loans upon the deaths of borrowers by entering into debt cancellation contracts. 12 CFR 7.7495. This practice involves the imposition of an additional charge by the bank and the establishment of reserves to cover such cancellations. It is the equivalent of underwriting credit life insurance. Letter from Ford Barrett, Assistant Chief Counsel (May 14, 1979) *reprinted in* [1978-79 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,171. Moreover, one national bank, Mercantile Trust Co., N.A., of St. Louis has, since its conversion from state to national status in the 1960's, maintained a subsidiary that underwrites credit life insurance. Additionally, the Federal Reserve Board has found the underwriting of credit life insurance to be "so closely related to banking . . . as to be a proper incident thereto," and has therefore permitted bank holding companies to engage in this activity. 12 CFR 225.4(a)(10). Congress recently affirmed the Board's policy in its amendment of Section 4(c)(8) of the Bank Holding Company Act (12 USC 1843(c)(8)). See Garn-St. Germain Depository Institutions Act of 1982, Pub. L. No. 97-320, Title VI, Section 601 (October 15, 1982).

In light of the above, it is my conclusion that the underwriting or reinsurance of credit life is an incidental power granted national banks by 12 USC 24(Seventh). Since a national bank can generally perform any of its allowable activities in an operating subsidiary, the establishment or acquisition of an operating subsidiary to underwrite or reinsure policies sold by the bank is permissible.

The second matter that must be addressed is that of conflicting regulatory jurisdiction. The McCarran-Ferguson Act, 15 USC 1061, gives the states the authority to regulate the business of insurance, within their respective jurisdictions. The Office has expressed concern

that some aspects of the states' regulation may conflict with 12 USC 484, which provides that no national bank shall be subject to any visitatorial powers except as authorized by federal law, vested in the courts or exercised by Congress. Under this statute, the exercise of visitatorial powers over national banks is vested in the Comptroller and, with very limited exceptions, state officials have no authority to engage in visitations of national banks. See 12 CFR 7.6025(b), as amended, 48 *Fed. Reg.* 3936 (Jan. 28, 1983). A visitation has been defined by the courts to include, at the very least, any examination of a national bank's books and records. See *National State Bank v. Long*, 730 F.2d 981, 988-89 (3d Cir. 1980).

Unlike a national bank, however, an operating subsidiary is a creature of state corporate laws. It is not in the strict sense a federal instrumentality. Therefore, the Comptroller's Office does not derogate Section 484 by according other authorities the right to examine a national bank's subsidiary if the Office determines that such examinations would be helpful in regulating the activities of the subsidiary. Currently, some discount brokerage subsidiaries are potentially subject to examination not only by state securities commissioners in every state in which they are registered but also by the NASD and exchanges of which they are members. Given the states' expertise in regulating insurance underwriting, it appears appropriate for the Office to permit examination by state authorities (in this case the Arizona Insurance Department) where a national bank is engaging in credit life underwriting or reinsurance activities through a subsidiary. Of course, the OCC still maintains full authority to examine, supervise and regulate F&M's subsidiary, 12 CFR 5.34(d)(3), as amended, 48 *Fed. Reg.* 48452 (October 19, 1983), and no state insurance official may examine the bank itself.

The final concern in regard to credit life underwriting or reinsurance is the OCC's lack of supervisory experience with life insurance companies. I believe the OCC, working with state insurance authorities, is fully capable of developing the expertise necessary to perform the required supervision of national bank operating subsidiaries engaged in credit life underwriting and reinsurance. The Federal Reserve Board's experience in supervising the activities of bank holding companies in this field serves as a fine example of how the necessary expertise can be acquired and should also be of assistance to this Office in obtaining the necessary knowledge. Further, I believe it would be bad public policy for the OCC to prevent national banks from performing an otherwise permissible activity because the Office does not have a wealth of direct supervisory experience with that activity.

In your letters of July 12 and November 3, 1983, you confirmed that SALIC, upon being approved as an operating subsidiary of F&M, will continue to comply with the Federal Reserve Board's public benefits test applicable to bank holding companies engaged in underwriting or reinsuring credit life insurance. See 12 CFR 225.4(a) (10) n.10a; 12 CFR 225.135. You also confirmed that SALIC's books and records will be made available to the OCC for periodic review and examination.

In light of the above, F&M's application to acquire SALIC as an operating subsidiary is approved.

Doyle L. Arnold  
Senior Deputy Comptroller  
for Policy and Planning

\* \* \*

## 278—February 17, 1984

James M. Kane  
District Counsel  
Office of the Comptroller of the Currency  
Sears Tower, Suite 5750  
233 South Wacker Drive  
Chicago, Illinois 60606

Dear Mr. Kane:

This is in response to former Regional Counsel David L. Giles's request for an opinion on whether 12 USC 29 authorizes a national bank to acquire real estate in exchange for Other Real Estate Owned (OREO) held by the bank. As I will discuss, the express language of Section 29 does not authorize a bank to acquire real estate in exchange for OREO or any other bank asset unless the new real estate itself is acquired to satisfy a debt or for another purpose authorized by Section 29. Despite the express limitations of Section 29, counsel for a national bank has argued that an exchange of OREO for more marketable real estate is within a bank's incidental powers to salvage a debt. Consequently, my comments will primarily address whether an exchange of OREO for other realty is within the incidental powers of a national bank.

The facts submitted by Mr. Giles indicate that Bank 1 and Bank 2 acquired real estate in exchange for their OREO. Bank 1 traded condominium units it held as OREO for single family residences it determined would be more saleable. In most of the trades, the bank financed its sale of the condominiums at a

concessionary rate and paid the first mortgages on the single family residences it purchased. Most trades reportedly involved parcels of similar value. Next Bank 2 took real estate and other consideration in exchange for OREO which the bank found to be difficult to sell and uneconomical to maintain. Thus it appears that the value of the real estate acquired by the bank was less than that of the OREO when the trades were made. At issue is whether the banks exchanges were permitted by 12 USC 29

Under 12 USC 29, a national bank may acquire real estate only for the following purposes.

First. Such as shall be necessary for its accommodation in the transaction of its business.

Second. Such as shall be mortgaged to it in good faith by way of security for debts previously contracted.

Third. Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings.

Fourth. Such as it shall purchase at sales under judgements, decrees, or mortgages held by the association, or shall purchase to secure debts to it.

In short, Section 29 essentially authorizes a national bank to acquire real estate if the realty is to be used as bank premises or is acquired to secure or satisfy a debt. To salvage a doubtful debt, it is therefore clear that a national bank may exchange its right to payment of the debt for the debtor's conveyance of real estate to the bank. The conveyance of real estate satisfies and thus extinguishes the debt owed to the bank. Upon cancellation of the debt, the bank cannot acquire additional real estate in satisfaction of the same debt because a debt cannot be satisfied if it no longer exists. In the absence of a debt owed to the bank, Section 29 therefore does not expressly permit a bank to acquire real estate unless it is acquired for use as bank premises.

Recognizing the absence of express language in Section 29 that authorizes an exchange of OREO for new real estate, counsel for Bank 2 (Counsel) argues that a bank has an implied power to acquire new real estate to prevent or reduce a loss on a previously satisfied debt. Counsel maintains that an exchange of OREO for new real estate is authorized because it is analogous to a bank's incidental power to purchase outstanding interests and make other investments in OREO to improve the OREO's marketability. It must therefore be determined whether a national bank has an incidental power to dispose of OREO in exchange for new real estate.

Judicial decisions involving national banks' incidental powers to salvage debts fall into three general categories: (1) property acquisitions to satisfy doubtful debts, (2) actions to protect the value of OREO, and (3) exchanges of OREO for new real estate. As discussed below, these decisions either reject or fail to support the argument that a bank has an incidental power to acquire new real estate in exchange for OREO.

The case of *First National Bank of Charlotte v. National Exchange Bank of Baltimore*, 92 U.S. 122, 23 L. Ed. 679 (1876) cited in Counsel's letter to Mr. Giles, falls within the first category of decisions on banks' incidental powers. That case established that 12 USC 24(7) provides a bank with an incidental power to acquire stocks and other property to compromise doubtful debts owed to the bank. The opinion, however, indicates that the Court envisioned acquisitions only in satisfaction of existing debts and disposal of the acquired stock for money:

In the honest exercise of the power to compromise a doubtful debt owing to the bank, it can hardly be doubted that stocks may be accepted in payment and satisfaction, with a view to their subsequent sale or conversion into money so as to make good or reduce an anticipated loss. . . . Of course, all such transactions must be compromises [of doubtful debts] in good faith, and not mere cloaks or devices to cover unauthorized practices. (23 L. Ed. at 681–682.)

If applied to purchases of real estate, therefore, the opinion merely confirms that real estate may be taken in compromise of debts owed: a power expressly provided by 12 USC 29. To my knowledge, other judicial decisions involving the incidental power to acquire stocks and other property in satisfaction of debts do not establish that such property may be exchanged for real estate.<sup>1</sup> See e.g., *Atherton v. Anderson*, 86 F.2d 518 (6th Cir. 1936), *rev'd on other grounds*, 302 U.S. 643 (1937).

The most expansive interpretations of banks' incidental powers to salvage debts concern what actions may be taken to protect the value of real estate acquired as OREO. A bank may, for example, make necessary repairs on unproductive and unmarketable OREO so that "it may sell that property and convert it into money." *Cooper v. Hill*, 94 F. 582–585 (8th Cir. 1899).

<sup>1</sup> Other courts have also cited by Counsel, three of the "national banks" that real estate may be taken in exchange for OREO's property, concluding that do not establish that such real estate may be exchanged for new real estate. See *Atherton v. Anderson*, 86 F.2d 518 (6th Cir. 1936), *rev'd on other grounds*, 302 U.S. 643 (1937); *Cooper v. Hill*, 94 F. 582–585 (8th Cir. 1899); *First National Bank of Charlotte v. National Exchange Bank of Baltimore*, 92 U.S. 122, 23 L. Ed. 679 (1876).

Where a manufacturing establishment "whose value depends substantially upon uninterrupted operation" is acquired as OREO, the bank may operate the establishment to save its debt. *Atherton v. Anderson*, 86 F.2d at 525. If the OREO is an unfinished construction or development project, prudent advances may be made to complete the project. 12 CFR 7.3025(j). In addition, a decision cited by Counsel, *Lincoln Joint Stock Bank v. Bexter*, 250 N.W. 84 (Sup. Ct. Neb. 1933), holds that a bank may pay a lien on OREO. *Id.* at 87. See also 12 CFR 7.3020(b); *Cockrill v. Abeles*, 86 F. 505, 511 (8th Cir. 1898) (a bank may assume or pay encumbrances on OREO). Thus, a bank is generally permitted to repair and make other improvements to OREO to make it marketable and thereby reduce loss on the original debt.

A national bank's incidental power to protect the value of OREO has been extended to permit the purchase of additional interests in the OREO. In the leading case on point, *Cockrill v. Abeles*, *supra*, a national bank acquired an undivided four-fifths interest in real estate in satisfaction of a debt. The bank then purchased the remaining interests in the real estate to enhance its disposal value. In its opinion, the court found that the power to acquire real estate in satisfaction of a debt under Section 29 extended to the purchase of the remaining interests in the OREO even though this purchase, standing alone, did not discharge a debt or meet another purpose authorized by Section 29. "[W]hen a national bank, as in the present case, has lawfully acquired an undivided interest in real property in satisfaction of a debt, it may lawfully purchase other undivided interests in the property, and discharge liens or encumbrances thereon, provided such action is necessary to enable it to manage or dispose of the property to better advantage." 86 F. at 511.

The *Cockrill* decision, however, does not establish that a bank may purchase *any* additional real estate once OREO is acquired in satisfaction of a debt. The controlling factors in *Cockrill* were that the bank purchased the remaining interests in its OREO and that "undivided control and ownership" of the OREO were necessary for sale of the OREO. See *Id.* Consequently, the *Cockrill* opinion does not extend to exchanges of OREO for new real estate because such exchanges are not made to acquire undivided control and ownership of OREO. Thus, *Cockrill* is essentially another illustration of a bank's power to protect or improve OREO to facilitate divestiture of the property.

Another case, *Baker v. Schofield*, 221 F. 322 (1915), *aff'd* 243 U.S. 114 (1917), arguably extends the authority to improve OREO's marketability to include purchases of adjoining real estate. In *Baker*, a bank acquired real estate which was upland from a harbor

as OREO, and then purchased the adjoining tide lands. In reviewing the permissibility of the tide lands acquisition, the court opined that it was "obvious" that the purchase of the tide lands was not authorized by Section 29 because it did "not fall within any of the purposes enumerated in that section." *Id.* at 325. Nevertheless, the court observed that an owner of upland property possessed a preference right under state law to purchase adjoining tide lands. The court then asserted that:

"[I]n light of the fact, well known in the field of commerce, that the value of property adjacent to harbor sites may be increased to a material extent by reason of a preference right to purchase tide lands adjacent thereto, we think that the contract . . . for the purchase of the tide lands might well be viewed as part of the transaction by which the bank acquired the upland, and as much a part of the valuable assets of the bank as would have been the original littoral or riparian right attached to the upland.  
(*Id.* at 326.)

The *Baker* case can be interpreted in three ways. First, *Baker* could be viewed as providing no precedent for a purchase of real estate that adjoins OREO because the court's discussion of the adjoining tide lands property was dicta.<sup>2</sup> Second, *Baker* may be viewed as authorizing a purchase of property that adjoins OREO only if ownership of OREO includes a right to purchase the adjoining property. Third, the case could be broadly read as favoring any acquisition of adjoining real estate that materially increases the value of OREO. Nevertheless, none of the interpretations of *Baker* would support the proposition that OREO may be exchanged for new real estate since the new realty is not acquired to improve the marketability of OREO. Even when read in an expansive manner, *Baker* merely illustrates the courts' willingness to allow banks to protect and improve the value of their OREO. Considering the unique facts of *Baker*, its value as precedent is dubious at best.

In response to Counsel's view of banks' incidental powers, it is clear that such powers have been liberally construed by the courts to permit banks to protect and improve the marketability of OREO. Due to adoption of Section 701(a) of the Depository Institutions Deregula-

tion Act of 1980 (DIDA), 12 USC 29 was amended to expressly authorize such protective acts as follows:

Upon notification by the [national banking] association to the Comptroller of the Currency that such conditions exist that require the expenditure of funds for the development and improvement of such real estate [OREO], and subject to such conditions and limitations as the Comptroller of the Currency may prescribe, the association may expend such funds as are needed to enable such association to recover its total investment

Thus, judicial decisions on banks' incidental power to develop and improve OREO were the predecessors to Congress's express provision of such authority in DIDA. As discussed above, there is no indication in the courts' opinions that the courts contemplated exchanges of OREO for new real estate as being within the scope of banks' incidental powers. Similarly there is no indication in the language or legislative history of DIDA that Congress contemplated acquisitions of new real estate in exchange for OREO when Congress amended Section 29 to expressly authorize improvements in OREO. See H. Conf. Rep. No. 842, 96th Cong. 81, *reprinted in* 1980 U.S. Code Cong. & Ad. News 298, 311–312.

The final category of judicial decisions on banks' incidental powers directly address whether a bank may exchange OREO for new real estate. To my knowledge, there are only two cases in this category, and both cases reject the contention that a bank may exchange OREO for new real estate. In the first case, *Williams v. Merchants' National Bank of St. Cloud*, 42 F.2d 243 (D. Minn. 1930), a national bank acquired the "Williams farm" in which it had no security interest from persons who owed no money to the bank. As consideration for the Williams farm, the bank traded a farm it held as OREO and assumed the encumbrances on the Williams farm. The central issue was whether the bank's assumption of encumbrances on the Williams farm was *ultra vires*. The resolution of this question, the court stated, depended on whether the exchange transaction was "incidental to the business of the bank in protecting itself from loss upon a prior existing indebtedness." *Id.* at 247. In its opinion, the court found that the bank's assumption of encumbrances was unauthorized because the acquisition of the encumbered farm violated Section 29 as follows:

The purpose of the law is to keep the operations of national banks within the boundaries of what can properly be said to be the banking business. The right to take real estate in satisfaction of debts would naturally include the incidental right to purchase titles and interest in the land taken and to pay off incumbrances thereon, in other words

<sup>2</sup> The defendant in *Baker*, the bank's receiver, maintained that the bank's obligation to perform its agreement to buy the tide lands was not binding because the purchase would violate Section 29. In response, the court held that resolution of the permissibility of the purchase under Section 29 was "immaterial" because the defendant could not be excused from performance regardless of whether the purchase was *ultra vires*. See *Id.* at 326–327. On appeal, the Supreme Court affirmed *Baker* without discussing the permissibility of the purchase. See 243 U.S. 114 (1916).

to do whatever was reasonably necessary to make the land marketable. *Cockrill v. Abeles* (C.C.A. 186 F. 505). Such incidental right, however, is very different from the right to trade land so taken for other land and assume incumbrances thereon. In my opinion, it is the duty of the officers and directors of a national bank which has been obliged to take real estate in satisfaction of a debt to dispose of it solely for cash or the equivalent of cash, and they have no right to use it as the consideration or excuse for dealing in other lands.

[T]he bank had no interest in the Williams farm whatever, and none of those who were interested in the farm owed the bank anything. The bank could not lawfully have acquired an interest in this land for any of its cash or securities. It is difficult to understand by what authority it could acquire it in exchange for any asset, even though that asset was real estate theretofore lawfully acquired. I am unable to see that the trading of an equity in one farm, lawfully acquired, for an equity in another farm which the bank has no right to acquire is any more incidental to its business than would be the outright purchase of the latter equity for cash by the bank. If a national bank, by acquiring a \$2,000 equity in a farm in satisfaction of a debt, is thereby enabled, through including that as a part of the consideration, to acquire other lands, it is then permitted to do indirectly what the law forbids it to do directly.

(*Id.* (emphasis added).)

Consequently, *Williams*, in my opinion, establishes that OREO may be exchanged for cash or its equivalent, but not for real estate.

In reliance on *Williams*, it was held by another court that an indirect exchange of OREO for new realty violated 12 USC 29. *Kosse National Bank v. Derden*, 36 S.W. 2d 295 (Tex. Civ. App. 1931). In the *Kosse* case, a national bank agreed to sell its OREO to Derden for a nominal sum of cash and a note, and agreed to purchase Derden's real estate for a nominal amount of cash and a note. There was no indication that Derden owed any debt to the bank prior to their agreement. Derden maintained that he and the bank further agreed to assume the encumbrances on the property they purchased, and that the bank was liable for its failure to do so. In response, the court found that any assumption by the bank of encumbrances on Derden's land was unauthorized because the bank's purchase of the land was clearly prohibited by 12 USC 29. To support its conclusion, the court stated that the parties' real estate purchases involved "substantially the same elements" as the *Williams* case: a bank's acquisition of land in exchange for its OREO and assumption of encumbrances on the new land

and the bank's failure to assume the encumbrances. In accordance with *Williams*, the court found that the agreement between Derden and the bank constituted an unauthorized exchange of lands. *Id.* at 298.

One might also make the argument that *Williams* is inapplicable to an exchange where OREO is the sole consideration furnished for the new realty. Such limitation of *Williams* could be based on the fact that both *Williams* and its offspring, *Kosse*, involved a purchase of real estate in exchange for OREO and for additional consideration: the banks' assumption of encumbrances on the acquired real estate. Furnishing consideration in addition to OREO is of legal significance, one might argue, because it causes a bank to speculate in real estate by trading its OREO for more expensive real estate. However, I believe that such a limited reading of *Williams* would conflict with the substance of the court's opinion in that case.

As I read *Williams*, the fact that the bank agreed to assume encumbrances as additional consideration for the Williams farm was not the critical factor in determining whether the acquisition of the farm was permitted. Rather, the key was the fact that Section 29, both by its express language and spirit, prohibited acquisition of the Williams farm in exchange for the OREO. Citing *Cockrill v. Abeles*, the court confirmed that encumbrances on unmarketable real estate taken in exchange for a debt may generally be assumed as an incident to the power to acquire the real estate under Section 29. The court then distinguished an assumption of encumbrances on realty taken in accordance with Section 29 from the bank's assumption of encumbrances on the Williams farm. The basis of this distinction was that the Williams farm was taken in exchange for OREO rather than a debt. Since the Williams farm was not taken in satisfaction of a debt, the bank "could not lawfully have acquired it in exchange for any of its cash or securities." 42 F.2d at 247. In the court's opinion, the fact that the farm was purchased with OREO did not make the purchase any more incidental to its business than an outright purchase of the farm for cash because allowing a purchase with OREO would permit the bank "to do indirectly what the law forbids it to do directly." In short, real estate taken in satisfaction of a debt must be disposed of "solely for cash or the equivalent of cash," and cannot be used as the "consideration or excuse for dealing in other lands." *Id.*

Given the court's opinion, the scope of *Williams* cannot be limited to exchanges of real estate in which a bank assumes encumbrances on the realty it acquires. Such limitation of *Williams* would appear to assume that an exchange of OREO for other realty,

standing alone, would not violate Section 29.<sup>3</sup> However, the bank's agreement to assume encumbrances in *Williams* was unauthorized because the underlying exchange of lands itself was held in violation of Section 29. Therefore, *Williams* establishes that OREO may not be traded for other real property. *Accord*, 7 *Michie on Banks and Banking* Section 159 (1980); 2 S. Whitley, W. Schlichting, T. Rice & J. Cooper, *Banking Law* Section 26.10 [3] (M. Bender 1981).

In applying the preceding to Mr. Giles's question, it is my opinion that Section 29 does not authorize a national bank to acquire real estate in exchange for the bank's OREO unless the new real estate itself is acquired to satisfy or secure a debt or is to be used as bank premises. In acquiring OREO, the debts owed to the banks in question were presumably satisfied and thus extinguished. Consequently, the banks' subsequent acquisitions of real estate cannot be treated as having been in satisfaction of the same debts since those debts were extinguished when the OREO was obtained. Moreover, there is no indication that the real estate acquired in exchange for OREO was obtained in satisfaction of any other debts, purchased at a judgement sale, or acquired for any other purpose provided by Section 29. Finally, the *Williams* opinion confirms that trading OREO for other realty is not incidental to the authority to acquire OREO in satisfaction of a debt.

In my opinion, precluding national banks from trading their OREO for new real estate is consistent with the purpose of 12 USC 29: ensuring that national banks do not speculate in real estate. *See National Bank v. Matthews*, 98 U.S. 626 (1878). To minimize the potential for speculation, Congress drafted Section 29 to permit banks to purchase real estate for particular purposes "and for no others." In cases of doubtful debts, the statute allows a national bank to take real

estate rather than money in satisfaction of the debt and then requires that such real estate be divested within the statute's holding period. The limitations of Section 29 therefore envision a sale of the OREO for money so that the bank may then obtain payment of the debt in money and return the proceeds for use in its usual business. To enable such a divestiture of OREO, a bank is permitted in some cases to purchase fee interests in the property to protect the value of its OREO. Apart from such protective actions, however, I believe a bank may not make new real estate purchases in the hope of selling the new realty at a profit to offset loss on the original loan. Similarly, a bank would presumably trade its OREO for other realty in the hope that the new realty can be sold for more than the OREO. By trading real estate parcels, the bank might improve its position, but it might suffer additional losses instead. Regardless of the ultimate result, an exchange of OREO for new real estate comprises an inherent risk of speculation in real estate. Allowing an exchange of OREO for real estate would therefore be inconsistent with the purpose as well as the language of 12 USC 29.

In view of the preceding, it is my opinion that the banks in question violated 12 USC 29 by acquiring real estate in exchange for their OREO. I therefore recommend that the District Office adopt measures to ensure that the banks dispose of such real estate with all deliberate speed.

Charles F. Byrd  
Assistant Director  
Legal Advisory Services Division

\* \* \*

279—January 25, 1984

This is in response to your request, on behalf of \*\*\* Bank for a waiver of the requirement of citizenship for the election of four foreign directors to the Board of Directors of \*\*\* (Bank) pursuant to the provisions of 12 USC 72. The key issue in determining whether to grant your waiver request is whether, for purposes of Section 72, an affiliate relationship exists between the Bank and the foreign bank (\*\*\*) that \*\*\* (Individual) controls.

Your March 16, 1983, request for waiver and the April 6, 1983, letter from \*\*\* counsel for the Bank, describe the various interests which Individual and three other foreign citizens have in \*\*\* (Holding Company) and certain international banking organizations. The relevant interests in determining whether an affiliate rela

<sup>3</sup> At best, only the following two sentences in *Williams* arguably indicate that the opinion is limited to its facts

Furthermore, if full effect is given to the statement of the Supreme Court in the case of *First National Bank v. Converse*, supra, that a national bank may not engage in a purely speculative business or adventure even as incidental to the collection of a debt, this bank could not do what was done here. There is no pretense in this case that [the bank] did anything more than agree to buy the Williams farm in the hope of making a profit on its resale (42 F 2d at 247 (emphasis added) )

In effect, the court merely asserted, *arguendo*, that even if an exchange of lands is incidental to the collection of a debt, then the exchange in *Williams* violated Section 29 because it was made for a speculative purpose. Cf. *Mapes v. Scott*, 88 Ill. at 355-356, *Libby v. Union National Bank*, 99 Ill. 622, 630 (Sup. Ct. 1881) (real estate purchases that ostensibly comply with Section 29 are unauthorized if their actual purpose is speculative). In other words, the exchange of lands in *Williams* was found to violate the letter as well as the spirit of Section 29, providing two bases on which to find a violation

relationship exists between the Bank and a foreign bank.

- Individual owns 30 percent of the outstanding shares of the Holding Company (of which he is the largest shareholder) and directly or indirectly owns 39.5 percent of the number of shares voted at the last annual meeting.
- The Bank is wholly owned by the Holding Company, and
- Individual owns directly or indirectly 90 percent of the outstanding shares of foreign bank based in Geneva.

In your request you ask for a waiver of the citizenship requirement for four specific individuals. Although the individuals described in your letter appear to be extremely well-qualified, by this letter we are not expressing an opinion on the qualifications of those individuals to serve as directors. Section 72 provides for waiver of the citizenship requirement for a minority of the directors of a specific bank, not for approval of specific individuals to serve as Board members. However, in particular cases, as a condition precedent to granting a waiver, the Comptroller may request relevant information pertaining to noncitizens who wish to serve as directors. The responsibility for selecting qualified individuals to serve as directors rests with the shareholders or, in the case of an interim appointment between shareholder meetings, with the Board of Directors of the Bank. See 12 USC 71, Banking Circular No. 124 (12 USC 72 Citizenship Requirement for Directors, April 5, 1979).

Based on the following analysis, the Office has determined that, for purposes of 12 USC 72, the Bank is an affiliate of foreign bank. Thus, I am waiving the requirement of U.S. citizenship for not more than a minority of the total number of directors of Bank.

In relevant part, 12 USC 72 provides that in the case of a national bank that is a subsidiary or affiliate of a foreign bank, the Comptroller may waive the citizenship requirement for not more than a minority of the total number of directors of the national bank. Section 72, which was enacted as part of the National Bank Act of 1864, was amended by Section 2 of the International Banking Act of 1978 (IBA or Act), 12 USC 3101 et seq. The amendment added the waiver provision for national bank subsidiaries or affiliates of foreign banks.

Pursuant to Section 10131 of the IBA (12 USC 3101(13)), a national bank is a subsidiary of a foreign bank if it fits the following criteria: (a) the Bank Holding Company owned by the foreign bank; (b) 12 USC 1841(d). In light of the facts of this case, the Bank is a foreign bank (not

an individual) must own or control 25 percent or more of the voting shares of a national bank. Since Individual, not a foreign bank, holds a 30 percent ownership interest in the Holding Company (and indirectly in the Bank), the Bank is not a subsidiary of a foreign bank. As a result, a waiver cannot be granted pursuant to Section 72 on the basis of a subsidiary relationship between the Bank and a foreign bank.

The IBA does not define the term "affiliate" or refer to a definition of that term outside the Act. Likewise, the case law and the legislative history of Section 72 are not helpful in defining the term. The body of law applicable to national banks contains two definitions of affiliate. One is the definition in 12 USC 221a which the Office generally applies if no other definition is specified. The other is the definition in 12 USC 371c which is applied to transactions between affiliates. Neither of these definitions appears directly applicable to 12 USC 72.

The definition of affiliate in Section 221a is made applicable expressly to the Banking Act of 1933 (1933 Act) and any provision of law amended by the 1933 Act. Since Section 72 was enacted as part of the National Bank Act of 1864 and was not amended by the 1933 Act, I concur with Counsel that Section 221a is by its terms inapplicable to 12 USC 72. Consequently, the 50 percent threshold of Section 221a for determining control is not necessarily required.

Section 371c is designed to protect banks from abuse in non-arm's-length financial transactions with companies with which the bank is affiliated. In order to accomplish this purpose, the section sets quantitative limitations and collateral restrictions on a bank's transactions with its affiliates. A definition of affiliate was added to Section 371c when it was amended by Section 410 of the Garn-St Germain Depository Institutions Act of 1982 (Pub. L. No. 97-457, 96 Stat. 2507) (1982 Act). Until that time, the definition of affiliate for purposes of Section 371c was contained in Section 221a. Under the current 371c definition, the threshold for control is 25 percent. However, by its terms, the Section 371c definition only applies to transactions with affiliates and was not in effect when 12 USC 72 was amended by the IBA in 1978 to provide for a waiver of the citizenship requirement. As a result, the Section 371c definition likewise is inapplicable to Section 72.

Although the legislative history of Section 72 does not discuss a definition of the term "affiliate," it is clear that Congress enacted the IBA to reduce unequal treatment of foreign banks in the United States by facilitating foreign ownership of both federally and state chartered banks. Apparently Congress believed that

foreign banks, although permitted to establish or acquire national bank subsidiaries in the United States, were discouraged from doing so because of the Section 72 requirement that all national bank directors be United States citizens. In my opinion, the purpose of the Act would be furthered, and no stated purpose contravened, by permitting a minority of directors of a national bank to be foreign citizens in situations in which the bank is controlled by foreign interests—whether those interests are held by a foreign bank directly or through an individual who controls a foreign bank.

Also, I construe the inclusion of the term “affiliate” in Section 72 as an indication of legislative intent not to limit the waiver provision to subsidiaries as defined in the BHCA. Since the major difference between traditional subsidiary and affiliate relationships is the addition of individual interests in the case of affiliates, I find it reasonable to consider as affiliates for purposes of Section 72 a foreign bank and a national bank commonly controlled by a foreign individual. As I stated above, the definition of subsidiary applicable to Section 72 contains a 25 percent control or stock ownership threshold. In my opinion, the same 25 percent threshold is appropriate in determining whether a national bank and a foreign bank are affiliates.

Moreover, considering that Section 371c contains a 25 percent control threshold, such a threshold also makes sense from the standpoint of fairness. Since the Office would consider the Bank and the foreign bank in which Individual owns a majority of the stock to be affiliates, transactions between them would be restricted. I believe Counsel is correct also in stating that applying these quantitative limitations and collateral restrictions to transactions between foreign banks and national banks, while prohibiting foreign citizens from becoming Board members of those national banks, seems unfair.

Thus, for purposes of Section 72, I would consider a national bank and a foreign bank to be affiliates if the banks are commonly controlled by a foreign individual who owns or controls 25 percent or more of the voting shares of both the foreign bank and the national bank (or its parent holding company). This definition of affiliate results from interpreting the term “control” in the BHCA definition of subsidiary to include 25 percent or more stock ownership in a national bank through an individual who also holds 25 percent or more of the voting shares of the foreign bank (as opposed to a direct interest by a foreign bank).<sup>1</sup> See

<sup>1</sup> Under 12 CFR 225.2 a rebuttable presumption of control is established in a situation in which a company's (such as a foreign bank's) interest of more than 5 percent in a bank, and the interests of a director of the company (or an individual with a 25 percent or

12 USC 1814(d)(1) I believe that this interpretation is consistent with the express language and legislative intent of Section 72 inasmuch as they assume a relationship between a national bank and a foreign bank.

My approval of your request for a waiver of the citizenship requirement for a minority of the directors of the Bank does not alter the residency and stock ownership requirements for foreign directors. Bank counsel should review the qualifications of the directors nominated to assure compliance with 12 USC 72 in these areas.

Steven J. Weiss  
Deputy Comptroller  
Bank Organization and Structure  
\* \* \*

## 280—December 1, 1983

This is in response to your letter of October 26, 1983, concerning Bill No. 1047, enacted into law on September 26, 1983, as amendments to Sections 3 and 17 of the Illinois Foreign Banking Office Act.

Essentially, the amendments purport to impose an annual “license fee” of \$50,000 on any foreign bank licensed by “any banking supervisory authority of a jurisdiction other than the [Illinois Banking] Commissioner” if said foreign bank comes from a country which does not provide reciprocal authority to Illinois state or national banks. In other words, the new law is designed to impose a stiff penalty on federal branches of foreign banks chartered by the Comptroller of the Currency whenever such foreign banks are headquartered in a country which does not offer reciprocal banking opportunities to American banks.

It is our opinion that a federal branch of a foreign bank in Illinois need not pay the fee. The statute is a transparent attempt to reverse the decision in *Conference of State Bank Supervisors et al v. Conover*, No. 81-2256 (D.C. Cir. Aug. 9, 1983), a case in which the state of Illinois was one of the plaintiffs. The court specifically held that in states which permit foreign bank branches or agencies, the Comptroller can charter federal branches or agencies, as the case may be,

more interest in the company) in the bank aggregate at least a 25 percent interest in the bank (defining interest as ownership, control, or power to vote a class of voting securities of the bank). 12 CFR 225.2(b)(2)

without regard to a state law reciprocity requirement or other entry criteria found in state law. See generally pages 20-27 and 37-41 of the decision. At page 6 the court referred to the plaintiff appellants' argument that the Comptroller had approved applications of two Australian banks (one of which was Australia and New Zealand Banking Group Limited's Chicago branch) "in contravention of Illinois law."

Having lost in court, Illinois now seeks to apply reciprocity indirectly by charging federally chartered foreign bank branches such as your own \$50,000 per year, an onerous and perhaps even prohibitive cost of doing business in Chicago. The amount of the fee and the fact that the Illinois Banking Commissioner does not license federal offices (such offices are licensed exclusively by the Comptroller acting pursuant to federal chartering criteria) or have responsibility for the examination or supervision of such offices essentially mean that the fee is a penalty and not a true license provision. As such, it is prohibited on grounds of due process and equal protection of the laws. No legitimate state regulatory purpose is served by the fee.

Even if one characterizes the state fee as a license fee, it cannot be applied to federally chartered branches of foreign banks. A license is in the nature of a special privilege, entitling the licensee to do something that he would not be entitled to do without the license. Legislation purporting to impose license restrictions or charges against instrumentalities of the federal government has frequently been declared "void." 51 Am Jur 2d Licenses and Permits §§ 1 and 11 (1970). It has been specifically held that "neither states nor subdivisions thereof have the power to levy license fees on national banks." *Bank of America National Trust & Savings Ass'n v. Lima*, 103 F Supp. 916-918 (D. Mass. 1952) and cases cited therein. Except as otherwise specifically provided in the International Banking Act or rules of the Comptroller, Section 4(b) of the IBA mandates that the "operations of a foreign bank at a Federal branch or agency shall be conducted with the same rights and privileges as a national bank at the same location and shall be subject to all the same duties, restrictions, penalties, liabilities, conditions, and limitations that would apply under the National Bank Act to a national bank doing business at the same location." 12 USC 3102(b). Since a state cannot impose a license fee on a national bank, it cannot impose one on a federal branch or agency of a foreign bank. Such offices are treated as national banks except as otherwise provided by federal law or regulation.

United Bank for World Trade, entry to all foreign banks  
newest, as... Bureau of State Bank Supervisors, et

*al v. Conover supra*, held: once a state decides to permit entry by foreign banks from some countries, the Comptroller has authority under the federal statutes to charter offices of foreign banks from any country without regard to reciprocity or other state entry criteria. See pages 20-27 and 37-41 of the decision, construing Sections 4(a) and 5(a) of the IBA, 12 USC 3102(a) and 3103(a) respectively.

I trust that this reply is responsive to your inquiry.

Brian W. Smith  
Chief Counsel

\* \* \*

## 281—January 24, 1984

This responds to your letter of November 15, 1983, in which you inquire whether certain national banks whose stock is, for the most part, owned directly or indirectly by two individuals may obtain their credit life insurance coverage from an insurance company that will reinsure part of that coverage with a reinsurance company owned by the same two individuals. A second question raised by your proposal is whether the banks may obtain various management services from another company owned by these two individuals. For the reasons explained below, we must respond negatively to both questions.

Mr. \*\*\* and \*\*\* (the Stockholders) presently own 100 percent of the stock of several banks and bank holding companies in different states, as well as 55 percent of a bank holding company that owns 100 percent of a national bank. The Stockholders also own 87 percent of another national bank. With respect to the 55 percent ownership position, your letter states that the Stockholders anticipate acquiring the remaining 45 percent of the bank holding company by June 1984. With respect to the national bank in which the Stockholders now own 87 percent, they anticipate acquiring an additional 8 percent interest by June 1984. Finally, one of the bank holding companies referred to above in which the Stockholders own 100 percent holds a 98.8 percent interest in the national bank subsidiary. The Stockholders intend to reorganize their holdings by transferring to newly organized holding companies all of their bank and bank holding company stock, but the percentage interests described above are comparable to what will prevail after the reorganization.

According to your letter, the Stockholders wish to engage the services of an unaffiliated insurance com-

pany to organize the credit life insurance operations of the Stockholders' banks and to underwrite the banks' credit life insurance. This unaffiliated insurance company will then reinsure part of its liability with a reinsurance company to be owned by another Stockholders-owned company (Management Company) that will provide management services to the banks. In other words, the Stockholders wish to have their two companies, neither of which is a subsidiary of the Stockholders' bank holding companies, reinsure the banks' credit life insurance and provide them with management services, respectively. These two companies would be able to file a consolidated federal income tax return, and the expenses of the Management Company would be used to offset the income of the reinsurance company, thus increasing the total after-tax income of the Stockholders.

This arrangement is unacceptable for a number of reasons. First, we have said on several occasions that national banks cannot, consistent with 12 CFR 2 and sound banking practice, secure their credit life coverage from an insurance underwriter that reinsures the coverage with a reinsurance company owned by individuals who are officers, directors, or principal shareholders. OCC Interpretive Letter No. 258, CCH Fed. Banking L. Rep. ¶85,422. It makes no difference that Stockholders own, or expect to own, 100 percent of the stock of their bank holding companies which, in turn, will own 100 percent of most, but not all, of the national bank subsidiaries. We cannot permit 12 CFR 2 to be circumvented by routing the premiums through a lead underwriter to a reinsurance company which then pays dividends to its owners or a company owned by them.

Another difficulty with the reinsurance company aspect of your proposal is that it appears to be a usurpation of a corporate opportunity by the Shareholders. Both the Board of Governors of the Federal Reserve System and, more recently, the OCC have approved underwriting or reinsuring credit life insurance as a permissible activity for bank holding companies and national banks, respectively. 12 CFR 225.25(a)(9), as amended, 49 Fed. Reg. 827 (Jan. 5, 1984); CCH Fed. Banking L. Rep. ¶99,806. Since this activity can be engaged in by both entities, there is no justification in the Stockholders performing it for their own benefit.

The proposal is also subject to criticism from a supervisory standpoint because it involves two instances of self-dealing that could be avoided. As recently as last month, Chief Counsel Brian W. Smith noted previous OCC rulings advising that national banks "should make a conscious attempt to avoid" such transactions. OCC Interpretive Letter No. 274, CCH Fed.

Banking L. Rep. ¶85,438. Historically the bank regulatory agencies have been concerned about self-dealing because it is frequently a contributing cause of bank failures. See Clark, *The Soundness of Financial Intermediaries*, 86 Yale L.J. 1, 12 and n. 46, 77 (1976). Note, *Public Creditors of Financial Institutions: The Case for a Derivative Right of Action*, 86 Yale L.J. 1422, 1423-1425, 1437-1441 (1977).

As far as "management services" are concerned national banks are encouraged to provide their own services, rather than secure them from an insider-owned firm that is expected to operate at a loss. This is contemplated by 12 USC 24(Seventh), which specifies that the governance of a national bank shall be "by its board of directors," and by 12 USC 73, which requires each national bank director to take an oath to "diligently and honestly administer the affairs" of the bank. When an outside consultant is desirable, the bank should not be tied to any particular consultant and should not use an insider-owned firm if alternatives are available. See OCC Interpretive Letters, CCH Fed. Banking L. Rep. ¶85,007 and ¶85,152 (insider leasing). In this instance, the quality of the "management services" to be provided by the Management Company is at least questionable, since it apparently will not be profitable. We believe the Stockholders' banks will be more effectively served by obtaining whatever management services they require from an unaffiliated and profitable firm, even if that alternative is more expensive.

For the reasons above, we request that the Stockholders' national banks neither obtain their credit life insurance coverage from an underwriter that reinsures the coverage with a Stockholder-owned reinsurance company nor obtain "management services" from a Stockholder-owned company.

Ford Barrett  
Assistant Chief Counsel

\* \* \*

282—February 14, 1984

Mr. Hugh A. Benson  
Assistant Counsel  
Commonwealth of Pennsylvania  
Department of Banking  
333 Market Street, 16th Floor  
Harrisburg, Pennsylvania 17101-2290

Dear Mr. Benson:

This is in response to your letter of November 2, 1983 to Mr. Charles F. Byrd, Assistant Director, Legal Advis-

Legal Services Division concerning the effect of the recent amendment to the Comptroller's adjustable-rate mortgage (ARM) regulation, 12 CFR 29, on state-chartered banks.

Specifically, you note that in amending Part 29 this Office removed Section 29.5, relating to ARM loan amortization and maturity requirements. See 48 *Fed. Reg.* 40702 (9/9/83). As a result, national banks no longer are obligated by law or regulation to amortize principal repayment, nor must they restrict loan maturity. They are constrained only by the limits of safe and sound banking practices. Because under Title VIII of the Garn-St. Germain Depository Institutions Act of 1982 (12 USC 3801 et seq.) state-chartered banks are given the option of following the Comptroller's regulation, in lieu of state law, when offering ARM loans, you ask whether they now may disregard requirements in state law governing amortization and maximum maturity.

In my opinion, state-chartered banks may offer ARM loans in compliance with 12 CFR 29 without regard for state limitations on amortization or maturity. Of course, Congress has provided a mechanism in Section 805 of the Garn-St. Germain Act (12 USC 3804) for states which seek to reimpose limitations and override the Comptroller's regulation to do so by voter referendum or enactment of legislation before October 15, 1985.

The amendment in question was undertaken as a necessary and logical adjunct to the adoption by the Office of new rules applying generally to real estate lending by national banks, consistent with Section 403 of the Garn-St. Germain of 1982 (12 USC 371). See 48 *Fed. Reg.* 40698 (9/9/83). Prior to enactment of Section 403, national banks were generally restricted to making real estate loans for which the repayment of principal was fully amortized within 30 years. Inasmuch as ARM loans in certain instances may have

been covered by those requirements, the former ARM regulation in Section 29.5(a) reiterated those 48 *Fed. Reg.* restrictions for national banks. State-chartered banks, however, were expressly referred to applicable state law in fixing loan maturity. The amortization requirement was the same for state and national banks. See 47 *Fed. Reg.* 55911 (12/14/82).

The decision to refer to state law with regard to maturity was made in the belief that the 30-year limitation imposed on national banks by 12 USC 371 was neither more nor less appropriate than limitations fixed by the states. When the law changed for national banks, however, removing amortization and maturity requirements and thus expanding the ability of national banks to offer a wide range of ARM loan programs, Section 804 of the Garn-St. Germain Act (12 USC 3803) dictated that state-chartered banks be accorded equal freedom to engage in alternative mortgage transactions. The Office noted that fact in the preamble to the new final rule on real estate lending:

Title 8 of the Act provides that state commercial banks may engage in "alternative mortgage transactions" in accordance with Office regulations. In the opinion of the Office, this regulation has applicability for state banks to the extent that the regulation permits national banks to engage in what the Act characterizes as "alternative mortgage transactions."  
(48 *Fed. Reg.* 40700 (9/9/83).)

I trust that this is responsive to your inquiry. If you have any further questions, please contact Jonathan Levin, Senior Attorney, at (202) 447-1880.

Roberta W. Boylan  
Director  
Legal Advisory Services Division

\* \* \*

# Merger Decisions—January 1 to March 31, 1984

## I. Mergers consummated involving two or more operating banks

	Page		Page
January 1, 1984		January 3, 1984	
Bank One, Athens, National Association, Athens, Ohio		Englewood Bank and Trust, Englewood, Fla.	
The Tri County Bank, Coolville, Ohio		Barnett Bank of Sarasota, National Association, Sarasota, Fla.	
Merger	61	Consolidation	71
January 1, 1984		January 17, 1984	
Bank One of Milford, National Association, Milford, Ohio		First National Bank of Central Jersey, Bridgewater, N.J.	
Bank One, Cincinnati, National Association, Cincinnati, Ohio		One Branch of American National Bank & Trust of New Jersey, Morristown, N.J.	
Merger	62	Purchase	72
January 1, 1984		January 17, 1984	
Bank One of Northeastern Ohio, National Association, Painesville, Ohio		Guarantee Bank, Atlantic City, N.J.	
Bank One, Cleveland, National Association, Cleveland, Ohio		The First Jersey National Bank/South, Manahawkin, N.J.	
Bank One of Geauga County, Chardon, Ohio		Merger	73
Merger	62	January 20, 1984	
January 1, 1984		Barnett Bank of South Florida, National Association, Miami, Fla.	
Comerica Bank-Metro East, National Association, Sterling Heights, Mich.		Barnett Bank of the Keys, Tavernier, Fla.	
Three Branches of Commonwealth State Bank, Detroit, Mich.		Merger	75
Purchase	63	January 27, 1984	
January 1, 1984		Barnett Bank of South Florida, National Association, Miami, Fla.	
Commerce Bank of Kansas City, National Association, Kansas City, Mo.		Great American Bank of Broward County, Ft. Lauderdale, Fla.	
Commerce Bank of Independence, National Association, Independence, Mo.		Great American Bank of Davie, Hollywood, Fla.	
Commerce Bank of Blue Hills, Kansas City, Mo.		Great American Bank of North Miami Beach, North Miami Beach, Fla.	
Plaza Bank and Trust Company, Kansas City, Mo.		Consolidation	76
Commerce Bank of Grandview, National Association, Grandview, Mo.		January 31, 1984	
Merger	63	The First Jersey National Bank/South, Manahawkin, N.J.	
January 1, 1984		One Branch of The First Jersey National Bank, Jersey City, N.J.	
Commerce Bank of St. Louis, National Association, St. Louis, Mo.		Purchase	77
Commerce Bank of Mound City, St. Louis, Mo.		January 31, 1984	
Merger	64	Union Planters National Bank, Memphis, Tenn.	
January 1, 1984		Hamilton First Bank, N.A., Clinton, Tenn.	
Farmers & Merchants National Bank of Rensselaer, Rensselaer, Ind.		Merger	77
State Bank of Remington, Indiana, Remington, Ind.		February 1, 1984	
Merger	65	Atlantic National Bank of Florida, Jacksonville, Fla.	
January 1, 1984		The Bank of Green Cove Springs, Green Cove Springs, Fla.	
First National Bank of Florida, Tampa, Fla.		Merger	78
Flagship First National Bank of Volusia County, Ormond Beach, Fla.		February 1, 1984	
Flagship Bank of Melbourne, National Association, Melbourne, Fla.		First National Bank of Southwestern Ohio, Monroe, Ohio	
Merger	66	The Peoples Banking Company, Lewisburg, Ohio	
January 1, 1984		Purchase	79
First National Bank of Mercer County, Greenville, Pa.		February 1, 1984	
Two Branches of PennBank, Titusville, Pa.		Florida State Bank of Tallahassee, Tallahassee, Fla.	
Purchase	67	Sun Bank/Tallahassee, National Association, Tallahassee, Fla.	
January 1, 1984		Merger	80
Florida National Bank, Jacksonville, Fla.		February 1, 1984	
Flagship Bank of Charlotte County, Punta Gorda, Fla.		Port Charlotte Bank and Trust Company, Port Charlotte, Fla.	
Flagship Bank of Lake County, Tavares, Fla.		Sun Bank and Trust/Charlotte County, National Association, Port Charlotte, Fla.	
Flagship First National Bank of Highlands County, Sebring, Fla.		Merger	81
Flagship Peoples Bank of Tallahassee, Tallahassee, Fla.		February 3, 1984	
Merger	68	Citizens National Bank of Elkins, Elkins, W. Va.	
January 1, 1984		The Tucker County Bank, Parsons, W. Va.	
Florida National Bank, Jacksonville, Fla.		Purchase	82
Sun Bank/Hillsborough, Tampa, Fla.		February 7, 1984	
Merger	69	Bank of Knoxville, Knoxville, Tenn.	
January 1, 1984		Third National Bank in Knoxville, Knoxville, Tenn.	
The Howard Bank, Burlington, Vt.		Merger	83
New Howard Bank, National Association, Burlington, Vt.		February 7, 1984	
Merger	70	Bank of Sevierville, Sevierville, Tenn.	
		Third National Bank in Sevier County, Sevierville, Tenn.	
		Merger	84

February 1, 1984

National Westminster Bank USA, New York, N.Y.  
 One Branch of Bankers Trust Company, New York, N.Y.  
 Purchase

84

February 17, 1984

First American National Bank of Knoxville, Knoxville, Tenn.  
 First American National Bank of Anderson County, Clinton,  
 Tenn.  
 Merger

85

February 21, 1984

First Minnehaha National Bank, Minneapolis, Minn.  
 First Bloomington Lake National Bank of Minneapolis, Minne-  
 apolis, Minn.  
 Consolidation

86

February 27, 1984

The First National Bank of Port Neches, Port Neches, Tex.  
 Mid-County Bank & Trust, Port Neches, Tex.  
 Merger

86

February 29, 1984

First National Bank of Glendale, Glendale, Wis.  
 South Midland Bank, Milwaukee, Wis.  
 Merger

87

March 1, 1984

Cardinal State Bank, Beckley, W. Va.  
 Cardinal State Bank National Association, Beckley, W. Va.  
 Purchase

88

March 1, 1984

First Tennessee Bank N.A., Memphis, Memphis, Tenn.  
 First Tennessee Bank, Jackson, Tenn.  
 First Tennessee Bank, Dyersburg, Tenn.  
 Merger

89

March 2, 1984

United States National Bank of Oregon, Portland, Oreg.  
 United Bank of Oregon, Milwaukie, Oreg.  
 Purchase

90

March 3, 1984

Florida National Bank, Jacksonville, Fla.  
 Royal Trust Bank, Gulfport, Fla.  
 Royal Trust Bank, National Association, Miami, Fla.  
 Royal Trust Bank of Florida, National Association, St. Peters-  
 burg, Fla.  
 Royal Trust Bank of Palm Beach, N.A., Palm Beach, Fla.  
 Merger

91

March 9, 1984

National Bank and Trust Company of Traverse City, Traverse  
 City, Mich.  
 NBD Northwest Bank, National Association, Traverse City,  
 Mich.  
 Purchase

91

March 14, 1984

Norwest Bank Two Harbors, National Association, Two Har-  
 bors, Minn.

Norwest Bank Silver Bay, Silver Bay, Minn.  
 Merger

93

March 16, 1984

AmSouth Bank, National Association, Birmingham, Ala.  
 The American National Bank of Gadsden, Gadsden, Ala.  
 Merger

93

March 16, 1984

Seminole State National Bank, Seminole, Tex.  
 Seminole National Bank, Seminole, Tex.  
 Purchase

95

March 19, 1984

The First Bankers of Florida, National Association, Cape  
 Canaveral, Fla.  
 The First Bankers of South Brevard, National Association,  
 Melbourne, Fla.  
 Consolidation

96

March 19, 1984

Rockingham National Bank, Bridgewater, Va.  
 The Farmers Bank of Edinburg, Inc., Edinburg, Va.  
 The Commercial and Savings Bank, Winchester, Va.  
 Merger

97

March 23, 1984

The Sheridan Bank and Trust Company, Lawton, Okla.  
 The American National Bank of Lawton, Lawton, Okla.  
 Merger

97

March 30, 1984

Southern National Bank of North Carolina, Lumberton, N.C.  
 Community Bank of Carolina, Greensboro, N.C.  
 Merger

98

March 31, 1984

The Connecticut National Bank, Hartford, Conn.  
 First Bank, New Haven, Conn.  
 New Britain Bank and Trust Company, New Britain, Conn.  
 The Terryville Trust Company, Terryville, Conn.  
 Merger

99

March 31, 1984

Key Bank National Association, Albany, N.Y.  
 One Branch of Marine Midland Bank, National Association,  
 Buffalo, N.Y.  
 Purchase

101

March 31, 1984

Long Island Trust Company, National Association, Garden  
 City, N.Y.  
 One Branch of The Dime Savings Bank of New York, F.S.B.,  
 New York, N.Y.

102

March 31, 1984

Southern National Bank of North Carolina, Lumberton, N.C.  
 Cherryville National Bank, Cherryville, N.C.  
 Merger

103

March 31, 1984

Southern National Bank of North Carolina, Lumberton, N.C.  
 The First National Bank of Anson County, Wadesboro, N.C.  
 Merger

104

## II. Mergers consummated involving a single operating bank

	Page		Page
January 1, 1984		February 1, 1984	
Capital City First National Bank of Tallahassee, Tallahassee, Fla		The First National Bank of Aurora, Aurora, Ind	
Capital City First National Interim Bank of Tallahassee, Tallahassee, Fla		River City National Bank, Aurora, Ind	
Merger	105	Merger	109
January 1, 1984		February 1, 1984	
Capital City Second National Bank, Tallahassee, Fla		San Jose National Bank, San Jose, Calif	
Capital City Second National Interim Bank, Tallahassee, Fla		San Jose Interim National Bank, San Jose, Calif	
Merger	105	Merger	110
January 1, 1984		February 3, 1984	
City National Bank, Tallahassee, Fla		The St. Lawrence National Bank, Canton, N.Y.	
City National Interim Bank, Tallahassee, Fla		45-49 Court Street Bank, National Association, Canton, N.Y.	
Merger	106	Merger	110
January 1, 1984		February 15, 1984	
City National Bank of New Jersey, Newark, N.J.		Citizens National Bank & Trust, Marshfield, Wis.	
CNB Interim Bank, National Association, Newark, N.J.		American National Bank, Marshfield, Wis.	
Consolidation	106	Merger	110
January 1, 1984		March 1, 1984	
First National Bank of Jefferson County, Monticello, Fla		Dartmouth National Bank of Hanover, Hanover, N.H.	
First National Interim Bank of Jefferson County, Monticello, Fla		New Dartmouth National Bank, Hanover, N.H.	
Merger	106	Merger	110
January 1, 1984		March 1, 1984	
Industrial National Bank, Tallahassee, Fla		Farmers and Merchants National Bank in Benton Harbor, Mich.	
Industrial National Interim Bank, Tallahassee, Fla		F & M National Bank, Benton Harbor, Mich.	
Merger	106	Merger	111
January 3, 1984		March 1, 1984	
The Albertville National Bank, Albertville, Ala.		The First National Bank of Bluefield, Bluefield, W. Va.	
The New Albertville National Bank, Albertville, Ala.		Bluefield First National Interim Bank, Bluefield, W. Va.	
Merger	107	Merger	111
January 3, 1984		March 1, 1984	
The Citizens National Bank of Evansville, Evansville, Ind.		The Fremont National Bank and Trust Company, Fremont, Neb.	
CNB National Bank, Evansville, Ind.		Fremont Bank, National Association, Fremont, Neb.	
Merger	107	Consolidation	111
January 3, 1984		March 2, 1984	
The First National Bank of Barnesville, Barnesville, Ga.		The First National Bank of Ovid, Ovid, N.Y.	
Interim National Bank of Barnesville, Barnesville, Ga.		7193 Main Street Bank, National Association, Ovid, N.Y.	
Merger	107	Merger	112
January 9, 1984		March 7, 1984	
The Bright National Bank at Flora, Flora, Ind.		The City National Bank of Charleston, Charleston, W. Va.	
Carroll National Bank, Flora, Ind.		The City Bank of Charleston, National Association, Charleston, W. Va.	
Merger	107	Merger	112
January 9, 1984		March 12, 1984	
First National Bank of Crossett, Crossett, Ark.		County National Bank of South Florida, North Miami Beach, Fla.	
Bank of Crossett, Crossett, Ark.		County Interim National Bank, North Miami Beach, Fla.	
Consolidation	108	Merger	112
January 12, 1984		March 14, 1984	
The Citizens National Bank of Martinsburg, Martinsburg, W. Va.		First National Bank, Paragould, Ark.	
CNB Bank, National Association, Martinsburg, W. Va.		Interim National Bank of Paragould, Paragould, Ark.	
Consolidation	108	Consolidation	113
January 30, 1984		March 16, 1984	
The First National Bank of Commerce, Commerce, Tex.		The State National Bank of Frankfort, Frankfort, Ky.	
New First National Bank, Commerce, Tex.		New State National Bank of Frankfort, Frankfort, Ky.	
Merger	108	Merger	113
January 31, 1984		March 23, 1984	
The First National Bank of Kenosha, Kenosha, Wis.		Citizens National Bank of Opp, Opp, Ala.	
FNBK National Bank, Kenosha, Wis.		The Colonial Bank of Opp, National Association, Opp, Ala.	
Merger	108	Merger	113
January 31, 1984		March 30, 1984	
Northern National Bank, Colorado Springs, Colo.		Greenville National Bank, Greenville, Ohio.	
Post Interim National Bank, Colorado Springs, Colo.		Greenville National Phantom Bank, Greenville, Ohio.	
Consolidation	109	Merger	113
February 1, 1984		March 30, 1984	
Central National Bank of St. Johns, St. Johns, Mich.		The Lorain National Bank, Lorain, Ohio.	
New National Bank of St. Johns, St. Johns, Mich.		Lorain Interim National Association, Lorain, Ohio.	
Consolidation	109	Merger	114
February 1, 1984		March 31, 1984	
Community National Bank, Forest City, Pa.		Columbia County Farmers National Bank, Oradegrove, Pa.	
CNB National Bank, Forest City, Pa.		CCFNB National Bank, Oradegrove, Pa.	
Merger	109	Merger	114



## I. Mergers consummated involving two or more operating banks.

### BANK ONE, ATHENS, NATIONAL ASSOCIATION, Athens, Ohio, and The Tri County Bank, Coolville, Ohio

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Tri County Bank, Coolville, Ohio, with	\$ 5,941,000	1	
and Bank One, Athens, National Association, Athens, Ohio (7744), which had	143,550,000	1	
merged January 1, 1984, under charter and title of the latter. The merged bank at date of merger had			2

### COMPTROLLER'S DECISION

On August 26, 1983, application was made to the Office of the Comptroller of the Currency for authorization to merge Tri County Bank, Coolville, Ohio (Tri County), into Bank One, Athens, National Association, Athens, Ohio (Bank One), under the charter and title of the latter. The application is based upon a written agreement executed by the banks on July 1, 1983.

As of December 31, 1982, Bank One held total deposits of \$111.5 million and operated eight offices: four in Athens County, three in Meigs County and one in Perry County. Bank One is one of 25 banking subsidiaries of Banc One Corporation (Banc One), a statewide banking organization headquartered in Columbus, Ohio. Banc One, with total deposits of \$5.4 billion, is Ohio's largest banking organization. Its banking subsidiaries operate a total of 324 offices in 45 of Ohio's 88 counties.

As of the same date, Tri County held total deposits of \$4.9 million and operated one office in extreme southeastern Athens County.

The relevant geographic market consists of the area surrounding Coolville, which includes southeastern Athens County, the extreme northeastern section of Meigs County, extreme southwestern Washington County in Ohio, and a portion of Wood County in West Virginia. Within this area, five commercial banks operate seven offices. Tri County and a branch of a Banc One subsidiary are the smallest market participants. Consummation of this proposal would rank Banc One third with 15 percent of the market's deposits. Thus,

the proposed transaction would not eliminate a meaningful amount of existing competition in the area. In addition, numerous other financial institutions serve as competitive alternatives as a result of their location on the periphery of the market in such cities as Parkersburg, West Virginia, Marietta, Ohio, and Athens, Ohio.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find the financial and managerial resources of both proponents to be satisfactory. The future prospects of both, individually and combined, are considered favorable, as does the combined bank's ability to effectively further enhance competitiveness in the market.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not have a significant effect on competition in the relevant market. Other factors considered in evaluating the proposal are satisfactory; accordingly, the application is approved.

December 1, 1983

### SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* Asset figures are from the December 31, 1983, report of condition. Information as of date of consummation was not available at press time.

BANK ONE OF MILFORD NATIONAL ASSOCIATION,  
Milford Ohio, and Bank One, Cincinnati, National Association, Cincinnati, Ohio

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Bank One Cincinnati National Association, Cincinnati, Ohio (17147), with	\$ 5,177,000	1	
and Bank One of Milford National Association, Milford, Ohio (3234), which had	195,211,000	13	
merged January 1, 1984, under charter of the latter and with the title of Bank One, Milford, National Association. The merged bank at date of merger had.	200,388,000		14

COMPTROLLER'S DECISION

Bank One of Milford National Association and Bank One Cincinnati National Association are majority-owned and controlled by Banc One Corporation, Columbus, Ohio, a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory

responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

December 1, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

BANK ONE OF NORTHEASTERN OHIO, NATIONAL ASSOCIATION,  
Painesville, Ohio, and Bank One, Cleveland, National Association, Cleveland, Ohio, and Bank One of Geauga County, Chardon, Ohio

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Bank One, Cleveland, National Association, Cleveland, Ohio (15573), with	\$ 420,386,000	21	
Bank One of Geauga County, Chardon, Ohio, with	94,712,000	7	
and Bank One of Northeastern Ohio, National Association, Painesville, Ohio (14686), which had	556,649,000	24	
merged January 1, 1984, under charter of the latter and with the title of Bank One, Cleveland, National Association, with headquarters in Cleveland. The merged bank at date of merger had	1,071,474,000		52

COMPTROLLER'S DECISION

Bank One of Northeastern Ohio National Association, Bank One Cleveland National Association and Bank One of Geauga County are majority owned and controlled by Banc One Corporation, Columbus, Ohio, a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources

and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their

communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.  
November 7, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

\* \* \*

COMERICA BANK-METRO EAST, NATIONAL ASSOCIATION,  
Sterling Heights, Mich., and Three Branches of Commonwealth State Bank, Detroit, Mich.

Name of bank and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Three Branches of Commonwealth State Bank, Detroit, Mich., with .....	\$762,755,000	3	_____
were purchased January 1, 1984, by Comerica Bank-Metro East, National Association, Sterling Heights, Mich. (16712), which had .....	67,311,000	6	_____
After the purchase was effected, the receiving bank had .....		_____	9

In this transaction, Comerica Bank-Metro East, National Association, a wholly owned subsidiary of Comerica, Inc., acquired three branches of Commonwealth State Bank, also a wholly owned subsidiary of Comerica, Inc. This transaction was processed under the

OCC's new procedures for corporate reorganization transactions and no decision was issued.

\* Asset figures are for the entire bank as of December 31, 1983  
Information as of date of consummation was not available at press time.

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

COMMERCE BANK OF KANSAS CITY, NATIONAL ASSOCIATION,  
Kansas City, Mo., and Commerce Bank of Independence, National Association, Independence, Mo., and  
Commerce Bank of Blue Hills, Kansas City, Mo., and Plaza Bank and Trust Company, Kansas City, Mo., and  
Commerce Bank of Grandview, National Association, Grandview, Mo.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Commerce Bank of Independence, National Association, Independence, Mo. (16368), with ...	\$ 24,259,000	3	_____
Commerce Bank of Blue Hills, Kansas City, Mo., with .....	23,771,000	2	_____
Plaza Bank and Trust Company, Kansas City, Mo., with .....	103,395,000	2	_____
Commerce Bank of Grandview, National Association, Grandview, Mo. (16592), with .....	18,127,000	1	_____
and Commerce Bank of Kansas City, National Association, Kansas City, Mo. (15985), which had merged January 1, 1984, under the charter and title of the latter. The merged bank at date of merger had .....	1,525,816,000	8	_____
		_____	16

COMPTROLLER'S DECISION

Commerce Bank of Blue Hills, Commerce Bank of Independence, National Association, Commerce

Bank of Grandview, National Association, Plaza Bank and Trust Company, and Commerce Bank of Kansas City, National Association are majority-owned and controlled by Commerce Bancshares Inc. Kansas City, Mo., a registered bank holding company. This

\* Asset figures are from the December 31, 1983, report of condition  
Information as of date of consummation was not available at press time

proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their

communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.  
November 18, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

COMMERCE BANK OF ST. LOUIS, NATIONAL ASSOCIATION,  
St. Louis, Mo., and Commerce Bank of Mound City, St. Louis, Mo.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Commerce Bank of Mound City, St. Louis, Mo., with	\$ 60,910,000	4	
and Commerce Bank of St. Louis, National Association, St. Louis, Mo. (16944), which had	193,804,000	3	
merged January 1, 1984, under charter and title of the latter. The merged bank at date of merger had			7

COMPTROLLER'S DECISION

Commerce Bank of Mound City and Commerce Bank of St. Louis, National Association are majority-owned and controlled by Commerce Bancshares, Inc., Kansas City, Mo., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.  
November 18, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

\* Assets figures are from the December 31, 1983 report of condition information and at date of consummation was not available at press time.

FARMERS & MERCHANTS NATIONAL BANK OF RENSSELAER,  
Rensselaer, Ind., and State Bank of Remington, Indiana, Remington, Ind.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
State Bank of Remington, Indiana, Remington, Ind., with	\$23,731,000	3	
and Farmers & Merchants National Bank of Rensselaer, Rensselaer, Ind. (14288), which had	63,471,000	1	
merged January 1, 1984, under charter of the latter and with the title of "Northwest National Bank."			
The merged bank at date of merger had			4

COMPTROLLER'S DECISION

On July 19, 1983, an application was filed with the Office of the Comptroller of the Currency to merge the State Bank of Remington, Indiana, Remington, Ind. (State), into Farmers & Merchants National Bank of Rensselaer, Rensselaer, Ind. (Farmers). This application is based on an agreement to merge finalized between State and Farmers on March 22, 1983.

As of March 31, 1983, Farmers held total deposits of \$48.3 million and operated through its main office in central Jasper County and one branch in northern Jasper County. As of the same date, State held total deposits of \$20.8 million and operated through its main office in southern Jasper County.

The relevant geographic market for the proposal is extreme southern Jasper County, the southeastern portion of Newton County, the northern portion of Benton County, and the eastern portion of White County, all in Indiana. It is from this area that State derives the bulk of its deposits. Although both banks are located in Jasper County, there is no evidence of any significant direct competition. Farmers primarily serves the northern portion of the county between its two offices. State primarily serves the southern portion of the county and the portions of other counties bordering southern Jasper County. State derives less than 3 percent of its deposit accounts from the area served by Farmers, and Farmers derives an equally low percentage of its deposits from the area served by

State. Consummation of this proposal will replace one competitor in the market with another and will not materially impact competition in the relevant market.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. Consummation of the proposed merger will provide the resulting bank with a higher legal lending limit which will better enable it to serve the commercial needs of the area. Consequently, the future prospects of the resulting bank are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.  
November 7, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* Asset figures are from the December 31, 1983, report of condition. Information as of date of consummation was not available at press time.

\* \* \*

FIRST NATIONAL BANK OF FLORIDA,  
Tampa, Fla., and Flagship First National Bank of Volusia County, Ormond Beach, Fla., and Flagship Bank of  
Melbourne National Association, Melbourne, Fla.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Flagship First National Bank of Volusia County, Ormond Beach, Fla. (14857), with.....	\$ 147,548,000	7	_____
Flagship Bank of Melbourne, National Association, Melbourne, Fla. (15311), with.....	132,407,000	8	_____
and First National Bank of Florida, Tampa, Fla. (3497), which had .....	1,627,240,000	23	_____
merged January 1, 1984, under charter and title of the latter. The merged bank at date of merger had .....		_____	38

COMPTROLLER'S DECISION

On July 22, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge Flagship First National Bank of Volusia County, Ormond Beach, Fla. (Flagship-Volusia), and Flagship Bank of Melbourne, National Association, Melbourne, Fla. (Flagship-Melbourne), into First National Bank of Florida, Tampa, Fla. (FNB). The application is based on agreements finalized between Flagship-Volusia and FNB on July 7, 1983, and between Flagship-Melbourne and FNB on July 7, 1983.

FNB chartered in 1883 as the Bank of Tampa, is Florida's oldest national bank. FNB had total assets of \$1,418 million and deposits of \$1,153 million as of March 31, 1983. It operates 27 offices in Hillsborough, Manatee, Collier, Hernando and Sarasota counties. FNB is the lead subsidiary bank of First Florida Banks, Inc., a \$2.5 billion multi-bank holding company that owns controlling interest in six national and seven state banks with 65 banking locations in 26 cities throughout the state.

Flagship-Volusia, chartered in 1958, is a subsidiary of Flagship Banks, Inc. Flagship-Volusia had total assets of \$141 million and total deposits of \$130 million as of March 31, 1983, and operates seven offices, all located in Volusia County.

Flagship-Melbourne, chartered in 1934, is a subsidiary of Flagship Banks, Inc. Flagship-Melbourne had total assets of \$118 million and total deposits of \$104 million as of March 31, 1983, and operates eight offices, all located in Brevard County.

Flagship-Volusia's relevant geographic market consists of eastern Volusia County, including the cities of Ormond Beach, Daytona Beach, Port Orange, New Smyrna Beach, Daytona Beach Shores, and Flagwater, bordered by Interstate 95 to the west.

FNB's nearest affiliate office is the main office of First National Bank of Kissimmee, located in Osceola County, 58 miles southwest of Flagship-Volusia's New Smyrna Beach office. FNB's nearest office is the Brooksville Office, located in Hernando County, 92.4 miles southwest of Flagship-Volusia's Beville Road Branch. The two banks are located in two distinct geographic markets and do not compete directly.

Flagship-Melbourne's relevant geographic market consists of South Brevard County, including the cities of Melbourne, West Melbourne, Satellite Beach, Melbourne Beach, Harbour Beach and Palm Bay. FNB's nearest affiliate office is the St. Cloud Office of First National Bank of Kissimmee, located in Osceola County, 37.6 miles east of Flagship-Melbourne's Sun-tree Plaza Office. FNB's nearest office is the Plant City Office, located in Hillsborough County, 89.5 miles east of Flagship-Melbourne's West Melbourne Office. FNB and Flagship-Melbourne are also located in two distinct geographic markets and do not compete directly. The subject merger is part of a divestiture of 12 Flagship subsidiary banks in connection with the proposed merger of Flagship Banks, Inc. into Sun Banks, Inc.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of the banks involved are satisfactory and future prospects of the combined entity are good. The merger will provide the Flagship banks with greater resources to more effectively meet the banking needs of their communities while providing FNB with entry into the Florida East Coast market where it can offer the Melbourne and Ormond Beach Communities an expanded and more efficient line of banking services.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence

that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.  
October 4, 1983

\* \* \*

FIRST NATIONAL BANK OF MERCER COUNTY,  
Greenville, Pa., and Two Branches of PennBank, Titusville, Pa.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Two Branches of PennBank, Titusville, Pa., with .....	\$643,718,000	2	_____
were purchased January 1, 1984, by First National Bank of Mercer County, Greenville, Pa. (249), which had .....	350,818,000	11	_____
After the purchase was effected, the receiving bank had .....		_____	13

COMPTROLLER'S DECISION

On October 24, 1983, an application was made to the Office of the Comptroller of the Currency by First National Bank of Mercer County, Hermitage, Pa. (FNB), for approval to purchase certain of the assets and assume certain of the liabilities of the Franklin and Sugarcreek branches (both branches are located in Venango County) of PennBank, Titusville, Pa. The application is based upon a written agreement executed by the banks on October 6, 1983.

As of June 30, 1983, FNB, a wholly-owned subsidiary (except for directors' qualifying shares) of F.N.B. Corporation, Hermitage, Pa., held total deposits of \$249.9 million and operated all 10 of its offices in Mercer County, Pa. On the same date, PennBank's Franklin and Sugarcreek branches held total deposits of \$61 million. PennBank is a wholly-owned subsidiary of PennBancorp and as of June 30, 1982 held total deposits of \$542.4 million and operated 23 offices.

The relevant geographic market for this proposal encompasses the western portion of Venango County and includes the municipalities of Franklin, Polk and Sugarcreek. The proponents do not currently compete directly in this market and, therefore, consummation of the proposal will not have a significant effect on competition in the relevant geographic market. FNB's

\* Asset figures are for the entire bank as of December 31, 1983. Information as of date of consummation was not available at press time

\* \* \*

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

closest office to the two branches to be acquired is approximately 40 miles distant. Consummation of the proposal will merely replace one competitor in the market with another.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks and the future prospects of the resulting banks are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed transaction.  
November 29, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

## FLORIDA NATIONAL BANK

Jacksonville, Fla., and Flagship Bank of Charlotte County, Punta Gorda, Fla., and Flagship Bank of Lake County, Tavares, Fla., and Flagship First National Bank of Highlands County, Sebring, Fla., and Flagship Peoples Bank of Tallahassee, Tallahassee, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Flagship Bank of Charlotte County, Punta Gorda, Fla., with	\$ 21,652,000	2	_____
Flagship Bank of Lake County, Tavares, Fla. with	74,709,000	4	_____
Flagship First National Bank of Highlands County, Sebring, Fla. (14996), with	78,798,000	2	_____
and Flagship Peoples Bank of Tallahassee, Tallahassee, Fla., with	41,477,000	4	_____
and Florida National Bank, Jacksonville, Fla. (8321) which had	3,479,103,000	92	_____
merged January 1, 1984, under charter and title of the latter. The merged bank at date of merger had	3,696,000,000	_____	104

## COMPTROLLER'S DECISION

On July 27, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge Flagship Bank of Charlotte County, Punta Gorda, Fla. (Flagship-Charlotte), Flagship First National Bank of Highlands County, Sebring, Fla. (Flagship-Highlands), Flagship Bank of Lake County, Tavares, Fla. (Flagship-Lake), and Flagship Peoples Bank of Tallahassee, Tallahassee, Fla. (Flagship-Peoples), into Florida National Bank, Jacksonville, Fla. (FNB). The application is based on agreements finalized between the four Flagship banks and FNB on June 20, 1983.

FNB is a subsidiary of Florida National Banks of Florida, Inc., the fourth largest bank holding company in the state with \$3.5 billion in assets and 25 banks operating 104 offices in 25 counties as of December 31, 1982. On July 1, 1983, 16 subsidiary banks merged into FNB, making FNB the largest bank in Florida with total assets of \$3.2 billion and 95 banking offices operating in 22 counties throughout the state.

Flagship-Charlotte is a subsidiary of Flagship Banks, Inc., the fifth largest bank holding company in the state with \$3.1 billion in assets and 27 banks operating 137 offices in 26 counties as of December 31, 1982. Flagship-Charlotte had total assets of \$22.5 million and total deposits of \$21.1 million as of March 31, 1983, with two offices in Charlotte County.

Flagship-Highlands is a subsidiary of Flagship Banks, Inc., and had total assets of \$71.4 million and total deposits of \$64.8 million as of March 31, 1983, with two offices in Highlands County.

Flagship-Lake is a subsidiary of Flagship Banks, Inc., and had total assets of \$71.3 million and total deposits of \$64.8 million as of March 31, 1983, with four offices in Lake County.

Flagship-Peoples is a subsidiary of Flagship Banks, Inc., and had total assets of \$40.2 million and total deposits of \$34.3 million as of March 31, 1983, with four offices in Leon County.

Flagship-Charlotte's relevant geographic market consists of all of Charlotte County except for the town of Englewood and includes the town of Northport in Sarasota County. FNB's nearest office is approximately 350 miles from any office of Flagship-Charlotte.

Flagship-Highlands's relevant geographic market consists of all of Highlands County and the city of Frostproof in Polk County. FNB's nearest office is located 60 miles from any office of Flagship-Highlands.

Flagship-Lake's relevant geographic market consists of Lake County with the exception of the towns of Clermont and Groveland. FNB's nearest office is located 10 miles from any office of Flagship-Lake.

Flagship-Peoples's relevant geographic market consists of all of Leon County. FNB's nearest office is located 130 miles from any office of Flagship-Peoples.

There are no subsidiary offices of FNB located within any of the market boundaries.

FNB and the four Flagship banks are located in five distinct geographic markets and do not compete directly. The subject merger is a part of a divestiture of 12 Flagship subsidiary banks in connection with the proposed merger of Flagship Banks, Inc. into Sun Banks, Inc.

The Bank Merger Act requires this Office to consider "the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of

the banks involved are satisfactory and the future prospects of the combined entity are good. The merger will provide the Flagship banks with greater resources to more effectively meet the banking needs of their communities while providing FNB with entry into four new markets where it can offer an expanded and more efficient line of banking services.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and

moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.  
November 10, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

FLORIDA NATIONAL BANK,  
Jacksonville, Fla., and Sun Bank/Hillsborough, Tampa, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Sun Bank/Hillsborough, Tampa, Fla., with	\$ 82,378,000	6	
and Florida National Bank, Jacksonville, Fla. (8321), which had	3,696,000,000	86	
merged January 1, 1984, under charter and title of the latter bank. The merged bank at date of merger had	3,761,983,000		92

COMPTROLLER'S DECISION

On July 27, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge Sun Bank/Hillsborough, Tampa, Fla. (Sun Bank), into Florida National Bank, Jacksonville, Fla. (FNB). The application is based on an agreement finalized between Sun Bank and FNB on August 15, 1983.

FNB is a subsidiary of Florida National Banks of Florida, Inc. On July 1, 1983, 15 subsidiary banks were merged into FNB, making it the largest bank in the state with total assets of \$3.2 billion and 95 banking offices operating in 22 counties throughout the state.

Sun Bank is a subsidiary of Sun Banks of Florida, Inc. Sun Bank had total deposits of \$145 million as of March 31, 1983, and operated seven offices located in Hillsborough County.

The relevant geographic market consists of the Tampa banking market which is located within the Tampa-St. Petersburg MSA and includes all of Hillsborough County and the Town of Land O'Lakes in Pasco County. Prior to the consummation of the merger between Sun Bank and FNB, Sun Bank will transfer to

Flagship Bank of Tampa all of its assets and liabilities with the exception of three of its branches and will receive the assets and liabilities of three branches of Flagship Bank of Tampa. The merger of Sun Bank (consisting of six branches) into FNB will enable FNB to enter the Tampa banking market.

The Tampa banking market is highly competitive with 23 banking organizations operating 118 offices with deposits of \$3.3 billion and 15 savings and loans with \$1.3 billion in deposits. Upon consummation of the merger between Sun Bank and FNB, FNB would enter the market with \$74 million in deposits and would rank 17th of 38 depository institutions with 1.6 percent of the market's total deposits. The proposed merger is part of a divestiture, together with certain other transactions, associated with the proposed merger of Flagship Banks, Inc. into Sun Banks, Inc. FNB would merely replace three offices of Sun Bank/Hillsborough and three offices of Flagship Bank of Tampa in the market.

The Bank Merger Act requires this Office to consider " . . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served " The financial and managerial resources of

both banks are satisfactory and future prospects of the combined entity are good. The merger will provide the SunFlagship branches with the strength of a statewide banking organization which will enable them to more effectively meet the banking needs of the Tampa community while providing FNB with entry into the Tampa banking market.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and

moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.  
November 22, 1983

### SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

### THE HOWARD BANK, Burlington, Vt., and New Howard Bank, National Association, Burlington, Vt.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Howard Bank, Burlington, Vt., with	\$385,057,169	25	_____
and New Howard Bank, National Association, Burlington, Vt. (18049), which had	120,000	0	_____
merged January 1, 1984, under charter of the latter and with the title of "The Howard Bank, National Association." The merged bank at date of merger had	385,057,169	_____	25

### COMPTROLLER'S DECISION

New Howard Bank, National Association is being organized by Howard Bancorp., Burlington, Vt., a bank holding company. The merger of The Howard Bank into New Howard Bank, National Association is a part of a process whereby Howard Bancorp. will acquire 100 percent (less directors' qualifying shares) of The Howard Bank.

The merger is a vehicle for a bank holding company acquisition and combines a non-operating bank with an existing commercial bank. As such, it presents no competitive issues under the Bank Merger Act, 12 USC 1828(c).

The financial and managerial resources of both banks and the future prospects of the resulting bank are favorable. After the merger, the resulting bank will be in the position to draw on the financial and managerial resources of its new corporate parent. This will permit it to more effectively serve the convenience and needs of its community.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicant's record of helping to meet the credit needs of its entire community, including low and moderate income neighborhoods, is less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.  
November 23, 1983

### SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which The Howard Bank would become a subsidiary of Howard Bancorp, a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution, as such, and without regard to the acquisition of the surviving bank by Howard Bancorp, it would have no effect on competition.

\* \* \*

ENGLEWOOD BANK AND TRUST,  
Englewood, Fla., and Barnett Bank of Sarasota, National Association, Sarasota, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Englewood Bank and Trust, Englewood, Fla., with	\$130,884,000	4	
and Barnett Bank of Sarasota, National Association, Sarasota, Fla. (16206), which had	128,533,000	6	
consolidated January 3, 1984, under charter of the latter and with the title of "Barnett Bank of Southwest Florida, National Association," with headquarters in Englewood. The merged bank at date of merger had	259,417,000		10

COMPTROLLER'S DECISION

On July 29, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to consolidate Englewood Bank and Trust, Englewood, Fla. (EB&T), and Barnett Bank of Sarasota, National Association, Sarasota, Fla. (Barnett). The application is based on an agreement finalized between EB&T and Barnett on May 25, 1983.

Barnett is a subsidiary of Barnett Banks of Florida, Inc., the second largest bank holding company in the state with \$6.9 billion in assets and 23 banks operating 201 banking offices in 29 counties as of December 31, 1982. Barnett had total assets of \$106.6 million and total deposits of \$96.8 million as of March 31, 1983, and operated 6 offices located in Sarasota and Charlotte counties.

EB&T is a wholly-owned subsidiary of First Southern BankCorp., a one-bank holding company. EB&T had total assets of \$129.5 million and total deposits of \$118.7 million as of March 31, 1983, and operated 2 offices located in Sarasota County.

The relevant geographic market is the area served by EB&T, designated as the Venice banking market, which consists of the communities of Venice, Englewood, South Venice and Nokomis in Sarasota County and Englewood, Rotunda and Grove City in Charlotte County. EB&T operates an office in Englewood and one in Venice. Barnett entered the Venice banking market in early 1983, with a branch in Venice which presently has a negligible share of the market's deposits. EB&T has 11 percent of the market's deposits and is the fourth largest in the market. The resulting bank will remain the fourth largest financial institution

in the market. Barnett competes in two separate markets, the Sarasota and Port Charlotte banking markets. The two banks do not compete directly except for the minimal competition in the city of Venice. Through the consolidation, Barnett will expand its operations in the Venice-Englewood market. The competitive impact will be minimal and would have no adverse effect on competition.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. EB&T customers will be afforded a broader range of banking services and a larger number of banking offices.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed consolidation.  
December 1, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

Names of banks and type of transaction	Total assets*	Banking Office	
		In operation	To be operated
One Branch of American National Bank & Trust of New Jersey, Morristown, N.J. (4274), with ...	\$893,719,000	1	_____
was purchased January 17, 1984, by First National Bank of Central Jersey, Bridgewater, N.J. (3866) which had	535,277,000	1	_____
After the purchase was effected the receiving bank had		_____	2

COMPTROLLER'S DECISION

On September 21, 1983, application was made to the Office of the Comptroller of the Currency by First National Bank of Central Jersey, Bridgewater, N.J. (FNBCJ), for approval to purchase certain assets and assume certain liabilities of the "Delaware Valley Branch" (the DV Branch) of American National Bank & Trust of New Jersey, Morristown, N.J. The application is based upon a written agreement executed by the banks on July 28, 1983.

As of June 30, 1983, FNBCJ held total deposits of \$459.5 million and operated 18 offices in central New Jersey in the counties of Somerset, Hunterdon and Union. FNBCJ is a wholly-owned and sole bank subsidiary of Ultra Bancorporation, Bridgewater, N.J., which ranks as the 24th largest commercial banking organization operating in New Jersey. On the same date, American National had \$690.1 million of deposits and the DV Branch, located in Milford, N.J., held \$5.7 million. American National is a wholly-owned subsidiary of Horizon Bancorp, Morristown, N.J., which had total consolidated deposits of \$1.2 billion as of December 31, 1982, ranking it as the sixth largest banking organization in New Jersey.

The relevant geographic market is the Milford-Frenchtown area, in which the DV Branch is located. This market extends approximately 5 miles in all directions, with the exception of the area in Pennsylvania. FNBCJ's closest branch office is located approximately 9 miles east of the DV Branch. While the service areas of the two proponents are contiguous to one another, FNBCJ derives only a nominal amount of business from DV Branch's service area. Competition is provided by three commercial banking organiza-

tions operating five offices with approximately \$57 million in total deposits as of June 30, 1982. Ninety percent of these deposits were held equally by two of the banks, with the DV Branch holding the remaining 10 percent. Consummation of the proposal will merely replace one competitor in the relevant market with another, and enable FNBCJ to enter a market where it currently does not compete.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." FNBCJ has the managerial and financial resources to absorb the subject branch without materially affecting its overall condition. The future prospects of the bank are favorable, as are the effects of the proposal on the convenience and needs of the general public to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not have a significant effect on competition in the relevant market. Other factors of consideration are satisfactory; accordingly, the application is approved.  
November 29, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* Assets by, and for the entire bank as of December 31, 1983.  
Information available at press time.

GUARANTEE BANK,  
Atlantic City, N.J., and The First Jersey National Bank/South, Manahawkin, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Guarantee Bank, Atlantic City, N.J. with .....	\$462,715,000	25	_____
and The First Jersey National Bank/South, Manahawkin, N.J. (16397), which had .....	230,675,000	16	_____
merged January 17, 1984, under charter and title of the latter. The merged bank at date of merger had .....		_____	41

## COMPTROLLER'S DECISION

On September 14, 1983, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Guarantee Bank, Atlantic City, N.J. (Guarantee), into The First Jersey National Bank/South, Manahawkin, N.J. (South). The application is based on an agreement finalized between the banks on July 28, 1983.

As of June 30, 1983, Guarantee had total deposits of \$385 million and operated 24 offices and eight automated teller machines in four counties in southern New Jersey. Guarantee is majority-owned and controlled by Guarantee Bancorp., Inc., a registered one bank holding company.

On the same date, South had total deposits of \$201 million and operated 15 offices in three counties in southern New Jersey. South is majority-owned and controlled by First Jersey National Corporation (First Jersey), a registered bank holding company. First Jersey operates four subsidiary banks and 52 banking offices in New Jersey and is the seventh largest banking organization in the state with consolidated deposits of \$1.2 billion.

The relevant line of commerce for evaluating mergers between commercial banks has been held to be the "cluster of services provided by commercial banks." *United States v. Connecticut National Bank*, 419 U.S. 656, 664 (1974). However, it does not necessarily follow that only commercial banks, among all types of financial institutions, offer this discrete product line.

In fact, the Supreme Court, in the above case, stated that "(a)t some stage in the development of savings banks it will be unrealistic to distinguish them from commercial banks for purposes of the Clayton Act.

" *Id.* at 666. The same rationale applies equally to savings and loan associations (S&Ls) as it does to savings banks. In recent decisions, this Office has

determined that, at least in certain relevant geographic markets, savings banks, S&Ls and commercial banks do operate in the same line of commerce.<sup>1</sup>

It is the opinion of this Office that, in the State of New Jersey, savings banks and S&Ls (collectively, thrift institutions), have developed into substantial competitors of commercial banks. Recent federal and state legislation has granted thrifts broad asset and liability powers. As a result, they are now empowered to provide a virtually identical cluster of products and services to those provided by commercial banks, e.g., they may accept commercial demand deposits, make consumer loans and make short term and unsecured commercial loans.

Thrifts hold nearly 50 percent of all deposits held by New Jersey depository institutions which, when counting the percentage held by credit unions, is equal to or possibly slightly in excess of deposits held by New Jersey commercial banks. In several markets, including the two principal markets where Guarantee operates, thrift deposits have increased at a faster rate than commercial bank deposits. In Atlantic County, between 1977 and 1982, thrift deposits increased more than 4.5 times faster than did commercial bank deposits; in 1982, thrift deposits increased more than 3 percent whereas commercial bank deposits declined by more than 1 percent. In Cape May County, between 1977 and 1982, thrift deposits increased more than 2 times faster than did commercial bank deposits; in 1982, thrift deposits increased by almost 10 percent whereas commercial bank deposits increased by just over 4 percent.

\* Asset figures are from the December 31, 1983, report of condition. Information as of date of consummation was not available at press time.

<sup>1</sup> Decision of the Comptroller of the Currency on the Application to Merge The Connecticut National Bank, Bridgeport, Conn. and Hartford National Bank and Trust Company, Hartford, Conn. March 26, 1982. Decision of the Comptroller of the Currency on the application to merge Connecticut Bank and Trust Company, Hartford, Conn., and The State National Bank of Connecticut, Bridgeport, Conn. December 1, 1982 and Decision of the Comptroller of the Currency on the application to merge Commercial National Bank of Little Rock, Little Rock, Ark. and The First National Bank of Little Rock, Little Rock, Ark. May 27, 1983.

Although specific data is not available on the extent of consumer lending by New Jersey thrifts, there is no reason to expect that the data for New Jersey thrifts would not mirror that for all U.S. thrifts. Granted consumer lending powers in 1980, thrifts now account for almost 5 percent of total nonmortgage consumer credit outstanding in the United States. New Jersey thrifts aggressively advertise consumer loan services and, based on the substantial inroads made in transaction deposit accounts, it can be reasonably inferred that the thrifts are also adequately serving the consumers' loan demands. Further, there is no reason not to expect the thrifts to continue to increase, up to the maximum percentage allowable under present legislation, their consumer loan portfolio.

In the commercial loan market, New Jersey thrifts are aggressively advertising their recently obtained lending powers. They are hiring, from commercial banks, experienced loan officers. The commercial lending activities of the thrifts will accelerate as they gain additional experience and recognition as a source of commercial loans.

Although the absolute outstandings in the above-mentioned loan categories of the thrifts is small compared to that of the commercial banks, it must be recognized that they have only had the ability to offer such services a very short time. In that time, the thrifts have been very aggressive and their involvement should continue to increase.

Based on the above analysis, it is the opinion of this Office that thrifts in New Jersey must be included in the relevant line of commerce.

There are four separate geographic markets for this proposal: Atlantic County, Cape May County, the New Jersey portion of the Philadelphia SMSA, and Cumberland County.

There are 11 commercial banking organizations holding deposits of \$812 million and seven thrift institutions holding deposits of \$845 million in Atlantic County. Guarantee is the fourth largest financial institution with a 14 percent market share. Although South does not compete in the market, another subsidiary bank of First Jersey does operate in the market. It is the smallest bank with a 1 percent market share.

Consummation of the proposed merger would not improve the resulting bank's position in the market (second among all financial institutions) nor would it materially increase its percentage of market deposits from 14 percent of commercial bank and thrift deposits to 15 percent. The participants in the market are 20 financial institutions, of which bank in the United

States and subsidiary banks of the state's two largest bank holding companies. Given the relative market shares of the merging organizations and the number of alternative financial institutions in the market, consummation of the merger would not have a significantly adverse effect upon competition in the Atlantic County market.

There are eight commercial banks holding deposits of \$472 million and 10 thrifts holding deposits of \$285 million in Cape May County. Guarantee is the third largest financial institution with an 11 percent market share. South is the ninth largest financial institution with a 6 percent market share. After consummation, the resulting bank would become the second largest financial institution with a market share of 16.9 percent.<sup>2</sup>

The Herfindahl-Hirschman Index (HHI), computed on the basis of deposits held by commercial banks and thrifts in Cape May County, is 950 before the proposed merger and 1076 after the proposed merger, an increase of 126. Such figures indicate that the market is either unconcentrated or, at most, very slightly concentrated. Although the increase exceeds the clearly permissible range outlined in the DOJ merger guidelines, structural statistics concerning market share and concentration are never conclusive indicators of probable anticompetitive effects; at most they give rise to an inference which may be rebutted by nonstructural analysis of the relevant market. A nonstructural analysis of the Cape May market clearly shows that the proposed merger would not have a substantial anticompetitive effect. This is because the small market shares held by a number of very large financial institutions do not accurately reflect their true capacity to foil any effort to exercise market power in the Cape May market.

Three of New Jersey's largest bank holding companies, including the largest, operate 19 offices in Cape May County and hold almost 34 percent of the market's total deposits; two of the state's largest thrifts hold another 8 percent of the market's deposits; and a bank headquartered in the adjacent county and having total deposits of \$349 million holds 2 percent of the market's deposits. The market deposits held by each of these six institutions represents a very small percentage of their total deposits (average percentage

<sup>2</sup> The figures used in this opinion do not reflect the proposed divestiture to which First Jersey has committed. It is the view of this Office that such a divestiture is not necessary to render the proposed merger lawful under the Bank Merger Act. Accordingly, it has not been necessary to discuss the effects of the proposed divestiture. Nevertheless, if consummated, such a divestiture would increase competition in the affected market.

5.4).<sup>3</sup> This relatively small volume of market deposits held by each of these six organizations does not accurately reflect their capacity to respond to any attempt to exercise market power in Cape May County. It is clear that any one of these six organizations could easily divert resources from outside the market and effectively foil any attempt to exercise market power in Cape May County. For this reason, it is the opinion of this Office that the proposed merger would not substantially lessen competition in the Cape May County market.

The New Jersey portion of the Philadelphia SMSA includes Burlington, Camden and Gloucester counties. Within this market, 24 commercial banking organizations hold deposits of \$2.3 billion. There are also 59 thrift institutions holding total deposits of \$2.3 billion. First Jersey is the 14th largest bank and Guarantee is the 23rd largest bank. The resulting bank would be the 11th largest bank with a 2 percent market share. In light of the market share data, consummation of the merger would have no significant effect upon competition in the relevant market.

First Jersey does not have any offices in Cumberland County; Guarantee has one office with deposits of \$8 million. It is the eighth largest of the 10 commercial banks operating in the county with a 2 percent market

<sup>3</sup> For example, Heritage Bank, N.A. has only 5.87 percent of the deposits in Cape May County. However, Heritage Bank's statewide total deposits are greater than 174 percent of all deposits in the market.

share. Consummation of the merger would merely substitute one competitor in the market with another significantly stronger competitor and would have no significant effect upon competition.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find the financial and managerial resources of South and Guarantee to be satisfactory. The future prospects of the proponents, individually and combined, are considered favorable although the larger resulting bank is expected to provide a wider range of banking services.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.  
December 13, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

BARNETT BANK OF SOUTH FLORIDA, NATIONAL ASSOCIATION, Miami, Fla., and Barnett Bank of the Keys, Tavernier, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Barnett Bank of the Keys, Tavernier, Fla. (formerly known as Great American Bank of the Florida Keys), with	\$ 35,593,000	1	
and Barnett Bank of South Florida, National Association, Miami, Fla. (13828), which had	2,172,785,000	39	
merged January 20, 1984, under charter and title of the latter. The merged bank at date of merger had	2,208,377,000		39

COMPTROLLER'S DECISION

Great American Bank of the Florida Keys and Barnett Bank of South Florida, National Association are majority-owned and controlled by Barnett Banks of Florida, Inc., Jacksonville, Fla., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank

Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.  
December 8, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

BARNETT BANK OF SOUTH FLORIDA, NATIONAL ASSOCIATION, Miami, Fla., and Great American Bank of Broward County, Ft. Lauderdale, Fla., and Great American Bank of Davie, Hollywood, Fla., and Great American Bank of North Miami Beach, North Miami Beach, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Great American Bank of Broward County, Ft. Lauderdale, Fla., with	\$ 47,950,000	1	
Great American Bank of Davie, Hollywood, Fla., with	69,006,000	1	
Great American Bank of North Miami Beach, North Miami Beach, Fla., with	37,593,000	1	
and Barnett Bank of South Florida, National Association, Miami, Fla. (13828), which had	2,160,984,000	38	
consolidated January 27, 1984, under charter and title of the latter. The consolidated bank at			
date of consolidation had	2,315,533,000		41

COMPTROLLER'S DECISION

Great American Bank of Broward County, Great American Bank of Davie, Great American Bank of North Miami Beach and Barnett Bank of South Florida, National Association are majority-owned and controlled by Barnett Banks of Florida, Inc., Jacksonville, Fla., a registered bank holding company. This proposed consolidation is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory

responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the consolidation.  
December 8, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not be significantly adverse to competition.

\* \* \*

THE FIRST JERSEY NATIONAL BANK/SOUTH,  
Manahawkin, N.J., and One Branch of The First Jersey National Bank, Jersey City, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
One Branch of The First Jersey National Bank, Jersey City, N.J. (374), with .....	\$1,158,279,000	1	_____
was purchased January 31, 1984, by The First Jersey National Bank/South, Manahawkin, N.J. (16397), which had .....	230,675,000	16	_____
After the purchase was effected the receiving bank had .....		_____	17

COMPTROLLER'S DECISION

The First Jersey National Bank/South and the First Jersey National Bank are majority-owned and controlled by First Jersey National Corporation, Jersey City, N.J., a registered bank holding company. This proposed transaction is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

\* Asset figures are for the entire bank as of December 31, 1983. Information as of date of consummation was not available at press time.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the transaction.

November 18, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

UNION PLANTERS NATIONAL BANK,  
Memphis, Tenn., and Hamilton First Bank, N.A., Clinton, Tenn.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Hamilton First Bank, N.A., Clinton, Tenn. (14760), with .....	\$ 66,248,000	6	_____
and Union Planters National Bank, Memphis, Tenn. (13349), which had .....	1,920,920,000	54	_____
merged January 31, 1984, under the charter and title of the latter. The merged bank at date of merger had .....	1,953,575,000	_____	60

COMPTROLLER'S DECISION

Hamilton First Bank, N.A. and Union Planters National Bank of Memphis are owned and controlled by Union Planters Corporation, Memphis, Tenn., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the

community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the only written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger, subject to the condition noted in a separate communication to Union Planters National Bank.

November 29, 1983

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

**ATLANTIC NATIONAL BANK OF FLORIDA,  
Jacksonville, Fla., and The Bank of Green Cove Springs, Green Cove Springs, Fla.**

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Bank of Green Cove Springs, Green Cove Springs, Fla., with	\$ 47,927,578	2	_____
and Atlantic National Bank of Florida, Jacksonville, Fla. (6888), which had	2,968,746,360	97	_____
merged February 1, 1984, under the charter and title of the latter. The merged bank at date of merger had	2,995,274,058	_____	99

**COMPTROLLER'S DECISION**

On October 3, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge The Bank of Green Cove Springs, Green Cove Springs, Fla. (BGCS), into Atlantic National Bank of Florida, Jacksonville, Fla. (ANB). The application is based on an agreement finalized between BGCS and ANB on August 25, 1983.

ANB is a subsidiary of Atlantic Bancorporation (Bancorporation), the seventh largest bank holding company in the state. ANB had total assets of \$2.7 billion and total deposits of \$2.3 billion as of June 30, 1983, and operated 106 offices in 17 Florida counties.

BGCS had total assets of \$44 million and total deposits of \$38 million as of June 30, 1983, and operated two offices in Clay County.

The relevant geographic market for this proposal is the area surrounding the two offices of BGCS, including the communities of Green Cove Springs, Penny Farms and Middleburg, all in Clay County. BGCS is the only commercial bank with a physical presence in the market; however, competition is provided by commercial banks to the northeast of Middleburg in Orange Park, and by thrift institutions in both the Green Cove Springs area and the Orange Park area.

Bancorporation, although not physically represented in the market, is one of four large Florida holding companies operating commercial banks in Orange Park. Bancorporation's office in BGCS is the only office of a bank holding company subsidiary bank.

That bank is located approximately 8 miles northeast of BGCS' Middleburg branch. In addition, both BGCS and Bancorporation's Orange Park subsidiary have approved but not opened offices located approximately 3 miles south of Orange Park.

Consummation of this proposal will not significantly impact competition in the relevant geographic market as there is no evidence of a meaningful direct competition between offices of Bancorporation's subsidiaries and BGCS. Bancorporation's office in Clay County was established in 1983 and has yet to establish a significant deposit base. Also, several other competitors are located on the periphery of the market area, and, due to their relative size exert a greater competitive influence than Bancorporation.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. The merger will provide the BGCS branches with the strength of a statewide banking organization which will enable them to more effectively meet the banking needs of their community via an expanded and more efficient line of banking services such as a statewide system of offices and automatic teller machines.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence

that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not substantially lessen competition. Other factors consid-

ered in evaluating the proposal are satisfactory. Accordingly, the application is approved.  
December 19, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

\* \* \*

FIRST NATIONAL BANK OF SOUTHWESTERN OHIO,  
Monroe, Ohio, and The Peoples Banking Company, Lewisburg, Ohio

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Peoples Banking Company, Lewisburg, Ohio, with	\$ 17,674,776	2	_____
was purchased February 1, 1984, by First National Bank of Southwestern Ohio, Monroe, Ohio (56),	456,456,427	21	_____
which had	472,375,744	_____	23
After the purchase was effected the receiving bank had			

COMPTROLLER'S DECISION

An application was filed on September 28, 1983, with the Office of the Comptroller of the Currency by First National Bank of Southwestern Ohio, Monroe, Ohio (First), for approval to purchase the assets and assume the liabilities of The Peoples Banking Company, Lewisburg, Ohio (Peoples). The application is based upon a written agreement executed by the banks on June 28, 1983.

As of June 30, 1983, First had total deposits of \$383 million and operated 22 offices, 20 in Butler County and one each in Warren and Preble County.

On the same date, Peoples had total deposits of \$15 million and operated two offices in Preble County.

The proponents do not currently compete directly and, therefore, consummation of the proposal will not have a significant effect on competition in the relevant geographic market. The relevant geographic market for this proposal is the northeast corner of Preble County where both of People's offices are located and where People's derives the bulk of its deposits. First's closest office, located in southern Preble County, is almost 20 miles distant. First obtains less than 1 percent of its deposits from the relevant geographic market. Consummation of this proposal will merely substitute one competitor in the market with a significantly stronger institution.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find the financial and managerial resources of First and Peoples to be satisfactory. The future prospects of the proponents, individually and combined, are considered favorable although the larger resulting bank is expected to provide a wider range of banking services.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the transaction.  
December 30, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

\* \* \*

FLORIDA STATE BANK OF TALLAHASSEE,  
Tallahassee, Fla., and Sun Bank Tallahassee, National Association, Tallahassee, Fla.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Florida State Bank of Tallahassee, Tallahassee, Fla., with	\$61,028,000	3	
and Sun Bank Tallahassee, National Association, Tallahassee, Fla. (18089), which had	720,000	0	
merged February 1, 1984, under charter and title of the latter. The merged bank at date of merger had			3

COMPTROLLER'S DECISION

Sun Bank Tallahassee, National Association is being organized by Sun Banks, Inc., Orlando, Fla., a bank holding company. The merger of Florida State Bank of Tallahassee into Sun Bank/Tallahassee, National Association is a part of a process whereby Sun Banks, Inc. will acquire 100 percent (less directors' qualifying shares) of Florida State Bank of Tallahassee.

The merger is a vehicle for a bank holding company acquisition and combines a non-operating bank with an existing commercial bank. As such, it presents no competitive issues under the Bank Merger Act, 12 USC 1828(c).

The financial and managerial resources of both banks and the future prospects of the resulting bank are favorable. After the merger, the resulting bank will be in the position to draw on the financial and managerial resources of its new corporate parent. This will permit it to more effectively serve the convenience and needs of its community.

\* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicant's record of helping to meet the credit needs of its entire community, including low and moderate income neighborhoods, is less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.  
October 11, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the Sun Bank/Tallahassee, National Association (org.) would become a subsidiary of Sun Banks, Inc., a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution, as such, and without regard to the acquisition of the surviving bank by Sun Banks, Inc., it would have no effect on competition.

\* \* \*

PORT CHARLOTTE BANK AND TRUST COMPANY,  
Port Charlotte, Fla., and Sun Bank and Trust/Charlotte County, National Association, Port Charlotte, Fla.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	Total operated
Port Charlotte Bank and Trust Company, Port Charlotte, Fla., with	\$142,452,000	2	_____
and Sun Bank and Trust/Charlotte County, National Association, Port Charlotte, Fla. (18088),			
which had	480,000	0	_____
merged February 1, 1984, under charter and title of the latter. The merged bank at date of merger			
had		_____	2

COMPTROLLER'S DECISION

Sun Bank/Port Charlotte, National Association is being organized by Sun Banks, Inc., Orlando, Fla., a bank holding company. The merger of Port Charlotte Bank and Trust Company into Sun Bank/Port Charlotte, National Association is a part of a process whereby Sun Banks, Inc. will acquire 100 percent (less directors' qualifying shares) of Port Charlotte Bank and Trust Company.

The merger is a vehicle for a bank holding company acquisition and combines a non-operating bank with an existing commercial bank. As such, it presents no competitive issues under the Bank Merger Act, 12 USC 1828(c).

The financial and managerial resources of both banks and the future prospects of the resulting bank are favorable. After the merger, the resulting bank will be in the position to draw on the financial and managerial resources of its new corporate parent. This will permit

it to more effectively serve the convenience and needs of its community.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicant's record of helping to meet the credit needs of its entire community, including low and moderate income neighborhoods, is less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.  
 October 17, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the Sun Bank/Port Charlotte, National Association (org.) would become a subsidiary of Sun Banks, Inc., a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Sun Banks, Inc., it would have no effect on competition.

\* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time

\* \* \*

CITIZENS NATIONAL BANK OF ELKINS.  
Elkins, W. Va., and The Tucker County Bank, Parsons, W. Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Tucker County Bank, Parsons, W. Va., with	\$15,437,000	1	_____
was purchased February 3, 1984, by Citizens National Bank of Elkins, Elkins, W. Va. (12483), which	85,530,000	3	_____
had		_____	4
After the purchase was effected the receiving bank had			

COMPTROLLER'S DECISION

On February 3, 1984, application was made to the Comptroller of the Currency to grant prior written approval for Citizens National Bank of Elkins, Elkins, W. Va. (Assuming Bank), to purchase certain assets and assume certain liabilities of Tucker County Bank, Parsons, W. Va. (Tucker).

On February 3, 1984, Tucker was a state bank, operating through one office, with deposits of approximately \$15 million. At the close of business on February 3, 1984, Tucker was declared insolvent by the Commissioner of Banking of the State of West Virginia. It was placed in receivership, with the Federal Deposit Insurance Corporation acting as receiver. The present application is based upon an agreement, which is incorporated herein by reference, by which the Federal Deposit Insurance Corporation, as receiver, and Assuming Bank have agreed that Assuming Bank will purchase certain of the assets and assume certain of the liabilities of Tucker. For the reasons stated hereafter, Assuming Bank's application is approved, and the purchase and assumption transaction may be consummated immediately.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve an assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and

future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Parsons, W. Va., community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. The Comptroller further finds that the failure of Tucker requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community. The Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately February 3, 1984.

Due to the emergency nature of the situation, the Attorney General's report was not requested.

\* Assets figures are from the December 31, 1983, report of condition information as of date of consummation was not available at press time.

\* \* \*

**BANK OF KNOXVILLE,  
Knoxville, Tenn., and Third National Bank in Knoxville, Knoxville, Tenn.**

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Bank of Knoxville, Knoxville, Tenn., with .....	\$332,752,000	19	_____
and Third National Bank in Knoxville, Knoxville, Tenn. (18101), which had .....	240,000	0	_____
merged February 7, 1984, under charter and title of the latter. The merged bank at date of merger had .....		_____	19

**COMPTROLLER'S DECISION**

Bank of Knoxville and Third National Bank in Knoxville are majority-owned and controlled by Third National Corporation, Nashville, Tenn., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition. The merger is a part of a process whereby Bank of Knoxville will convert to a national charter.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory

\* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

January 6, 1984

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The proposed merger is part of a plan through which the Bank of Knoxville would become a subsidiary of Third National Bank Corporation, a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Third National Bank Corporation, it would have no effect on competition.

\* \* \*

**BANK OF SEVIERVILLE,  
Sevierville, Tenn., and Third National Bank in Sevier County, Sevierville, Tenn.**

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Bank of Sevierville, Sevierville, Tenn., with .....	\$74,722,000	3	_____
and Third National Bank in Sevier County, Sevierville, Tenn. (18103), which had .....	120,000	0	_____
merged February 7, 1984, under charter and title of the latter. The merged bank at date of merger had .....		_____	3

**COMPTROLLER'S DECISION**

Bank of Sevierville and Third National Bank in Sevier County are majority-owned and controlled by Third National Corporation, Nashville, Tenn., a registered

\* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time

bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition. The merger is a part of a process whereby Bank of Sevierville will convert to a national charter.

A review of the financial and managerial resources and future prospects of the existing and proposed

institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the bank's record of helping to meet the credit needs of its community, including low and moderate income neighborhoods, is less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.  
January 5, 1984

\* \* \*

NATIONAL WESTMINSTER BANK USA,  
New York, N.Y., and One Branch of Bankers Trust Company, New York, N.Y.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
One Branch of Bankers Trust Company, New York, N.Y., with .....	\$40,129,581,000	1	_____
was purchased February 10, 1984, by National Westminster Bank USA, New York, N.Y. (7703), which had .....	7,485,877,000	150	_____
After the purchase was effected the receiving bank had .....		_____	151

COMPTROLLER'S DECISION

On October 11, 1983, an application was filed with the Office of the Comptroller of the Currency by National Westminster Bank USA, New York, N.Y., (NWB), for permission to purchase the assets and assume the liabilities of the Montague Street Branch of Bankers Trust Company, New York, N.Y. (Branch). This application is based on a purchase agreement entered into by the proponents on July 15, 1983.

As of June 30, 1983, NWB held total deposits of \$5.3 billion and operated over 150 branches throughout the New York metropolitan area. As of the same date Branch held total deposits of \$67.3 million and served the Brooklyn Heights area of Brooklyn, Kings County, N.Y.

Branch serves the northwestern portion of Brooklyn known as Brooklyn Heights. In addition to Branch, 10 other branches representing some of the largest banks in New York are located less than one-half mile

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the Bank of Sevierville would become a subsidiary of Third National Bank Corporation, a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution, as such, and without regard to the acquisition of the surviving bank by Third National Bank Corporation, it would have no effect on competition.

from Branch. In addition, six thrifts operate seven offices within one-half mile of Branch. NWB operates seven offices in Brooklyn, however, none are located in the vicinity of Branch. Due to the large number of competitors and the fact that Brooklyn Heights is not directly served by NWB, consummation of this proposal should not have a significant effect on competition.

The Bank Merger Act requires this Office to consider " . . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served . . ." The financial and managerial resources of both banks are satisfactory. The future prospects of the buying bank are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the proposed transaction.  
January 10, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL  
We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

\* \* \*

FIRST AMERICAN NATIONAL BANK OF KNOXVILLE,  
Knoxville, Tenn., and First American National Bank of Anderson County, Clinton, Tenn.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First American National Bank of Anderson County, Clinton, Tenn. (17909), with .....	\$103,067,000	16	_____
and First American National Bank of Knoxville, Knoxville, Tenn. (17839), which had .....	703,941,000	6	_____
merged February 17, 1984, under charter and title of the latter bank. The merged bank at date of merger had .....	807,008,000	_____	22

COMPTROLLER'S DECISION

First American National Bank of Knoxville and First American National Bank of Anderson County are majority-owned and controlled by First American Corporation, Nashville, Tenn., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory

responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.  
January 17, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL  
We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

FIRST MINNEHAHA NATIONAL BANK,  
Minneapolis, Minn., and First Bloomington Lake National Bank of Minneapolis, Minneapolis, Minn.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First Bloomington Lake National Bank of Minneapolis (12972) Minneapolis, Minn., with	\$132,145,000	1	
and First Minnehaha National Bank, Minneapolis, Minn. (13096), which had	158,444,000	2	
consolidated February 21, 1984, under charter of the latter and title "First Bank (National Association)—Lake			3
The consolidated bank at date of consolidation had			

COMPTROLLER'S DECISION

First Minnehaha National Bank and First Bloomington Lake National Bank of Minneapolis are majority-owned and controlled by First Bank System, Inc., Minneapolis, Minn., a registered bank holding company. This proposed transaction is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information

\* Asset figures are from the December 31, 1983, report of condition. Information as of date of consummation was not available at press time.

available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the transaction.  
January 17, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

THE FIRST NATIONAL BANK OF PORT NECHES,  
Port Neches, Tex., and Mid-County Bank & Trust, Port Neches, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Mid-County Bank & Trust, Port Neches, Tex. with	\$28,533,790	1	
and The First National Bank of Port Neches, Port Neches, Tex. (11799), which had	63,151,598	1	
merged February 27, 1984, under charter and title of the latter. The merged bank at date of merger had	83,955,125		2

COMPTROLLER'S DECISION

On November 22, 1983, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Mid-County Bank and Trust, Port Neches, Tex. (Mid County) into The First National Bank of Port Neches, Port Neches, Tex. (FNB). This authorization is based on an agreement finalized between Mid-County and FNB on September 8, 1983.

As of September 30, 1983, Mid-County, an independent bank, had total deposits of \$23 million and operated its only office in Port Neches, Jefferson

County. On the same date, FNB had total deposits of \$45 million, and operated its only office in Port Neches.

The relevant geographic market for this proposal is the area encompassing the cities of Port Neches, Port Arthur, Nederland and Groves, and is the area from which Mid-County derives over 75 percent of its deposits. Proponents are direct competitors in this market. There are eight commercial banks serving the market, with total deposits of \$699 million. Mid-County

ranks seventh in deposit market share with 3 percent and FNB ranks sixth with 7 percent; combined, the resulting bank will continue to rank sixth with an approximate 10 percent deposit market share. Although consummation of this proposal would reduce the number of competitors in the market by one, ample alternative banking organizations would still remain. Therefore, under these circumstances, this Office finds that the proposed merger would not have a significantly adverse effect on competition.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory and the future prospects of the proponent banks, independently and in combination, are favorable.

A number of protests were filed stating that the proposed merger would have an adverse effect on the convenience and needs of the community to be served. Both banks presently serve the same market and the resulting bank will continue to serve this area without a reduction in banking services. Although some consumers could be inconvenienced by the elimination of a bank's main office, they would benefit

by the resulting bank's increased total resources increased lending limit and potential to offer more services. In addition, the resulting bank plans to operate a branch at the former main office site. Consequently, the proposed merger would not significantly impact the convenience and needs of the market

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not have a significantly adverse effect on competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

January 26, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

FIRST NATIONAL BANK OF GLENDALE,  
Glendale, Wis., and South Midland Bank, Milwaukee, Wis.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
South Midland Bank, Milwaukee, Wis. with .....	\$20,058,107	1	_____
and First National Bank of Glendale, Glendale, Wis. (15325), which had .....	54,064,715	1	_____
merged February 29, 1984, under charter of the latter and title "First National Bank." The merged bank at date of merger had .....	74,122,822	_____	2

COMPTROLLER'S DECISION

An application was filed October 5, 1983, with the Office of the Comptroller of the Currency by the First National Bank of Glendale, Glendale, Wis. (FNB), for approval to merge with South Midland Bank, Milwaukee, Wis. (South). The application is based upon a written agreement executed by the banks on September 9, 1983.

As of September 30, 1983, FNB had total deposits of \$43.8 million and South had total deposits of \$16.4 million. Both of these institutions are unit banks. South

is a wholly owned subsidiary of South Midland Financial Corporation, a one-bank holding company

Both banks operate in service areas within the Milwaukee metropolitan area. South's relevant geographic market is southwestern Milwaukee. Competition in this area is provided by six commercial banking offices. South maintains one of the smaller market shares. FNB's relevant geographic market is northwestern Milwaukee. Competition in this market is provided by ten commercial banking offices.

The banks derive more than 90 percent of their deposits from their defined market areas. Each receives less than 2 percent of its total deposits from the other bank's market area. The two institutions are 13 miles apart and separated by downtown Milwaukee which mitigates direct competition.

The proposed merger would combine two banks operating in separate geographic markets, thereby replacing one competitor in the southwestern market with another. Therefore, it is concluded that the merger will not be significantly adverse to competition.

The Bank Merger Act requires this Office to consider "the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources and future prospects of both banks are considered satisfactory. The future prospects of the resulting bank appear favorable as does its ability to further enhance

its competitiveness in the market and serve the convenience and needs of its customers.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not substantially lessen competition. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

January 26, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

CARDINAL STATE BANK,  
Beckley, W. Va., and Cardinal State Bank, National Association, Beckley, W. Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Cardinal State Bank, Beckley, W. Va. with ..... was purchased March 1, 1984, by Cardinal State Bank, National Association, Beckley, W. Va. (18123), which had .....	\$39,806,000	2	_____
After the purchase was effected the receiving bank had .....	240,000	0	_____
		_____	2

COMPTROLLER'S DECISION

Cardinal State Bank, National Association is being organized by Centurion Bancorp, Inc., Charleston, W. Va., a bank holding company. This transaction is a part of a process whereby Centurion Bancorp, Inc. will acquire 100 percent (less directors' qualifying shares) of Cardinal State Bank.

This transaction is a vehicle for a bank holding company acquisition and combines a non-operating bank with an existing commercial bank. As such, it presents no competitive issues under the Bank Merger Act, 12 USC 1828(c).

\* Assets, including Federal Reserve Bank information for the organizing bank as of 12/31/83. The Federal Reserve Bank report of condition for the receiving bank as of 12/31/83 was not available at the time of the report.

The financial and managerial resources of both banks and the future prospects of the resulting bank are favorable. After the purchase, the resulting bank will be in the position to draw on the financial and managerial resources of its new corporate parent. This will permit it to more effectively serve the convenience and needs of its community.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their entire community, including low and moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed transaction.  
January 26, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the Cardinal State Bank would become a subsidiary of

\* \* \*

Centurion Bancorp Inc., a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution, as such, and without regard to the acquisition of the surviving bank by Centurion Bancorp Inc., it would have no effect on competition.

FIRST TENNESSEE BANK N.A. MEMPHIS,  
Memphis, Tenn., and First Tennessee Bank, Jackson, Tenn., and First Tennessee Bank, Dyersburg, Tenn.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First Tennessee Bank, Jackson, Tenn., with .....	\$ 49,562,000	3	_____
First Tennessee Bank, Dyersburg, Tenn., with .....	53,113,000	2	_____
and First Tennessee Bank N.A. Memphis, Memphis, Tenn. (336), which had .....	2,411,186,000	35	_____
merged March 1, 1984, under charter of the latter and with the title of "First Tennessee Bank National Association Memphis." The merged bank at date of merger had .....		_____	40

COMPTROLLER'S DECISION

First Tennessee Bank, Jackson, Tenn., First Tennessee Bank, Jonesboro, Tenn., First Tennessee Bank, Morristown, Tenn., First Tennessee Bank, Dyersburg, Tenn., First Tennessee Bank, Mosheim, Tenn., First Tennessee Bank, Gallatin, Tenn., First Tennessee Bank, Maryville, Tenn., Jefferson County Bank, Dandridge, Tenn., First Tennessee Bank N.A. Cookeville, Cookeville, Tenn., First Tennessee Bank N.A. Murfreesboro, Murfreesboro, Tenn., First Tennessee Bank N.A. Kingsport/Bristol, Kingsport, Tenn., First Tennessee Bank N.A. Nashville, Nashville, Tenn., First Tennessee Bank N.A. Chattanooga, Chattanooga, Tenn., First Tennessee Bank National Association Franklin, Franklin, Tenn. and First Tennessee Bank N.A. Memphis, Memphis, Tenn.,† are majority-owned and controlled by First Tennessee National Corporation, Memphis, Tenn., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

\* Asset figures are from the December 31, 1983, report of condition. Information as of date of consummation was not available at press time.

† The mergers of these banks will consummate on different dates.

\* \* \*

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.  
November 29, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

UNITED STATES NATIONAL BANK OF OREGON,  
Portland, Oreg. and United Bank of Oregon, Milwaukie, Oreg.

Name of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
United Bank of Oregon, Milwaukie, Oreg., with which had	\$ 17,258,000	2	_____
After the purchase was effected the receiving bank had	5,641,910,000	185	_____
			187

COMPTROLLER'S DECISION

On March 2, 1984 application was made to the Comptroller of the Currency for prior written approval for United States National Bank of Oregon, Portland, Oreg. (Assuming Bank), to purchase certain assets and assume certain liabilities of United Bank of Oregon, Milwaukie, Oreg. (United). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of United. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On March 2, 1984, due to the financial condition of United, the Oregon State Banking Commissioner closed United and appointed the FDIC as receiver on the same date. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, including all deposit liabilities, of United.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the

\* Assets listed in the FDIC's 1983 report of condition for United Bank of Oregon were not available at present.

evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Milwaukie community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of United, as set forth in the agreement, is approved. The Comptroller further finds that the failure of United requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

Assuming Bank is authorized to operate United's former offices in Milwaukie and Sandy as branch offices.  
March 2, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

FLORIDA NATIONAL BANK,  
Jacksonville, Fla., and Royal Trust Bank, Gulfport, Fla., and Royal Trust Bank, National Association, Miami, Fla.,  
and Royal Trust Bank of Florida, National Association, St. Petersburg, Fla., and Royal Trust Bank of Palm  
Beach, N.A., Palm Beach, Fla.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Royal Trust Bank, Gulfport, Fla., with .....	\$ 145,750,000	4	_____
Royal Trust Bank, National Association, Miami, Fla. (15156), with .....	325,867,000	12	_____
Royal Trust Bank of Florida, National Association, St. Petersburg, Fla. (14367), with .....	315,220,000	6	_____
Royal Trust Bank of Palm Beach, N.A., Palm Beach, Fla. (15894), with .....	117,316,000	6	_____
and Florida National Bank, Jacksonville, Fla. (8321), which had .....	3,479,103,000	83	_____
merged March 3, 1984, under charter and title of the latter. The merged bank at date of merger had .....		_____	111

COMPTROLLER'S DECISION

Royal Trust Bank, Royal Trust Bank, National Association, Royal Trust Bank of Florida, National Association, and Royal Trust Bank of Palm Beach, N.A., are being acquired by Florida National Banks of Florida, Inc., Jacksonville, Fla., through its purchase of Royal Trust Bank Corp, Miami, Fla., a registered bank holding company. This proposed merger is conditioned upon consummation of the merger between Florida National Banks of Florida, Inc. and Royal Trust Bank Corp.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why

this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.  
January 25, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* Asset figures are from the December 31, 1983, report of condition. Information as of date of consummation was not available at press time

\* \* \*

NATIONAL BANK AND TRUST COMPANY OF TRAVERSE CITY,  
Traverse City, Mich., and NBD Northwest Bank, National Association, Traverse City, Mich.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
National Bank and Trust Company of Traverse City, Traverse City, Mich. (14918), with .....	\$103,968,000	9	_____
was purchased March 9, 1984, by NBD Northwest Bank, National Association, Traverse City, Mich. (18143), which had .....	7,543,000	0	_____
After the purchase was effected, the receiving bank had .....		_____	9

COMPTROLLER'S DECISION

On March 9, 1984, application was made to the Comptroller of the Currency for prior written approval

for NBD Northwest Bank, National Association, Traverse City, Mich. (Assuming Bank), to purchase certain assets and assume certain liabilities of National Bank and Trust Company of Traverse City, Traverse City, Mich. The application rests upon an agreement incorporated herein by reference the same as if fully

\* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983 report of condition for the operating bank. Information as of date of consummation was not available at press time

set forth negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of National Bank and Trust Company of Traverse City. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

National Bank and Trust Company of Traverse City was chartered as a national bank on November 14, 1960, and at the close of business March 9, 1984 had total deposits of approximately \$66 million. The bank was declared insolvent by the Comptroller of the Currency on March 9, 1984, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of National Bank and Trust Company of Traverse City.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Traverse City community. The Assuming Bank has sufficient financial and managerial resources, and this

acquisition will enable it to enhance the banking services offered in the Traverse City community. Thus, the approval of this transaction will help to avert a loss of public confidence in the banking system, and will improve the services offered to the banking public.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of National Bank and Trust Company of Traverse City, as set forth in the agreement, is approved. The Comptroller further finds that the failure of National Bank and Trust Company of Traverse City requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately. Assuming Bank is further authorized to operate all offices of National Bank and Trust Company of Traverse City as branch offices.

By accepting approval and by consummating the purchase and assumption transaction, the Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five percent (5%).
2. Within a reasonable period of time, achieve and maintain a ratio of primary capital to total assets that complies with the Comptroller's capital adequacy guidelines issued December 17, 1981. The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty-five percent (25%) of tangible primary capital.

These conditions shall be deemed to be "conditions imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC 1818(b)(1).

March 9, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

NORWEST BANK TWO HARBORS, NATIONAL ASSOCIATION,  
Two Harbors, Minn., and Norwest Bank Silver Bay, Silver Bay, Minn.

Names of banks and type of transaction	Total assets*	Banking offices	
		in operation	To be operated
Norwest Bank Silver Bay, Silver Bay, Minn. with .....	\$11,695,000	1	_____
and Norwest Bank Two Harbors, National Association, Two Harbors, Minn. (12357), which had ..	29,183,000	2	_____
merged March 14, 1984, under charter and title of the latter. The merged bank at date of merger had		_____	3

COMPTROLLER'S DECISION

Norwest Bank Silver Bay and Norwest Bank Two Harbors, National Association are majority-owned and controlled by Norwest Bancorporation, Minneapolis, Minn., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.  
December 21, 1983

\* Asset figures are from the December 31, 1983, report of condition Information as of date of consummation was not available at press time.

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

AMSOUTH BANK, NATIONAL ASSOCIATION,  
Birmingham, Ala., and The American National Bank of Gadsden, Gadsden, Ala.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The American National Bank of Gadsden, Gadsden, Ala. (13412), with .....	\$ 95,937,000	1	_____
and AmSouth Bank, National Association, Birmingham, Ala. (3185), which had .....	3,707,188,000	109	_____
merged March 16, 1984, under charter and title of the latter. The merged bank at date of merger had .....		_____	110

COMPTROLLER'S DECISION

On October 18, 1983, application was made to the Office of the Comptroller of the Currency for prior written authorization to merge The American National Bank of Gadsden, Gadsden, Ala. (American), into AmSouth Bank, National Association, Birmingham, Ala. (AmSouth), under the charter and title of the latter.

The application is based on an agreement finalized between American and AmSouth on September 9, 1983.

As of June 30, 1983, American had approximately \$83 million in deposits and \$97 million in total assets. The bank operates a single banking office in Gadsden, Ala. As of the same date, AmSouth had approximately \$2.3 billion in deposits and \$2.5 billion in total assets. AmSouth is a wholly-owned subsidiary of AmSouth

\* Asset figures are from the December 31, 1983, report of condition Information as of date of consummation was not available at press time.

Bank Corporation, an Alabama bank holding company headquartered in Birmingham.

American and AmSouth are competitors within the same relevant geographic market, namely Etowah County, Ala. Competition within Etowah County between commercial banks, savings and loans, and other providers of financial services is keen. Competition is provided by nine commercial banks, including American and AmSouth, and two savings and loans.

Savings and loan associations are significant competitors in Etowah County and account for 26 percent of all market deposits. With the advent of deregulation and the passage of recent financial legislation, including the Garn-St Germain Depository Institutions Act of 1982, savings and loans in Etowah County and elsewhere are becoming direct competitors of commercial banks in attracting deposits and offering a wide array of related financial services. The two savings and loans in Etowah County comprise the second and fifth largest competitors in terms of market share of deposits.

An analysis of competition among depository financial institutions in Etowah County, including savings and loans in the line of commerce, reveals an unconcentrated banking market comprised of 11 financial institutions with market deposits ranging from \$14.1 million to \$78.9 million and a four-firm concentration ratio of 57 percent. Under such a market definition, American and AmSouth would be the first and 11th largest banks controlling 15 percent and 3 percent, respectively, of market deposits.

Consummation of the proposal would not have a significantly adverse effect upon competition in light of the number and size of competitors in Etowah County market and the relative market shares of the two merging banks. Etowah County would remain a competitive market. AmSouth, the resulting bank, would

merely replace American as the market's largest competitor. Moreover, the merger would not dramatically increase the level of concentration in the market.

The economy of operations and other benefits resulting from the consolidation should permit the resulting bank to better serve the convenience and needs of the community through competitive rates, increased services, and an increased lending limit. Access to a statewide ATM network, discount brokerage services and expanded trust services will also be available to the resulting bank's customers.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The future prospects of the resulting bank appear favorable as does its ability to further enhance its competitiveness in the market and serve the convenience and needs of its customers.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs of their entire communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.  
February 8, 1984

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

SEMINOLE STATE NATIONAL BANK,  
Seminole, Tex., and Seminole National Bank, Seminole, Tex.

Names of banks and type of transaction	Total assets*	Banking offices	
		in operation	to be operated
Seminole State National Bank, Seminole, Tex. (17303), with .....	\$51,131,000	1	_____
was purchased March 16, 1984 by Seminole National Bank, Seminole, Tex. (18149), which had .....	2,700,000	0	_____
After the purchase was effected the receiving bank had .....		_____	1

COMPTROLLER'S DECISION

On March 16, 1984, application was made to the Comptroller of the Currency for prior written approval for Seminole National Bank, Seminole, Tex. (Assuming Bank) to purchase certain assets and assume certain liabilities of Seminole State National Bank, Seminole, Tex. (Seminole). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Seminole. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Seminole State National Bank became a national bank on May 19, 1982 following the conversion of the Seminole State Bank. The bank was declared insolvent by the Comptroller of the Currency on March 16, 1984, and placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Seminole State National Bank.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to

usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Seminole community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Seminole, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Seminole requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

By accepting approval and by consummating the purchase and assumption transaction, the Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five percent (5%)
2. Within a reasonable period of time, achieve and maintain a ratio of primary capital to total assets that complies with the Comptroller's capital adequacy guidelines issued December 27, 1981. The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more

\* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

from twenty-five percent (25%) of tangible primary assets

the meaning of 12 USC 1818(c)(1)  
March 16, 1984

These conditions shall be deemed to be "conditions imposed in writing by the agency in connection with the granting of any application or other request" within

Due to the emergency nature of the situation, the Attorney General's report was not requested

\* \* \*

THE FIRST BANKERS OF FLORIDA, NATIONAL ASSOCIATION,  
Cape Canaveral, Fla., and The First Bankers of South Brevard, National Association, Melbourne, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First Bankers of South Brevard, National Association, Melbourne, Fla. (15186), with . . . . .	\$37,695,716	2	_____
and The First Bankers of Florida, National Association, Cape Canaveral, Fla. (15288), which had consolidated March 19, 1984, under charter and title of the latter bank. The consolidated bank at date of consolidation had . . . . .	47,470,145	6	_____
	85,086,791	_____	8

COMPTROLLER'S DECISION

The First Bankers of Florida, National Association and The First Bankers of South Brevard, National Association are majority-owned and controlled by First Bankers Corporation of Florida, Pompano Beach, Fla., a registered bank holding company. This proposed consolidation is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory

responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.  
February 14, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

ROCKINGHAM NATIONAL BANK,  
Bridgewater, Va., and The Farmers Bank of Edinburg, Inc., Edinburg, Va., and The Commercial and Savings  
Bank, Winchester, Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Farmers Bank of Edinburg, Inc., Edinburg, Va., with.....	\$ 32,627,000	2	_____
and The Commercial and Savings Bank, Winchester, Va., with.....	107,840,000	8	_____
and Rockingham National Bank, Bridgewater, Va. (5261), which had.....	240,005,000	1	_____
merged March 19, 1984, under charter of the latter and title of "Dominion Bank of Shenandoah Valley, National Association." The merged bank at date of merger had.....		_____	11

## COMPTROLLER'S DECISION

The Farmers Bank of Edinburg, Inc., The Commercial and Savings Bank, and Rockingham National Bank are majority-owned and controlled by Dominion Bankshares Corporation, Roanoke, Va., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

\* Asset figures are from the December 31, 1983, report of condition. Information as of date of consummation was not available at press time

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

January 17, 1984

## SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

THE SHERIDAN BANK AND TRUST COMPANY,  
Lawton, Okla., and The American National Bank of Lawton, Lawton, Okla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Sheridan Bank and Trust Company, Lawton, Okla., with.....	\$23,609,000	1	_____
and The American National Bank of Lawton, Okla. (12067), which had.....	71,070,000	1	_____
merged March 23, 1984, under charter and title of the latter. The merged bank at date of merger had	93,779,000	_____	2

## COMPTROLLER'S DECISION

The American National Bank of Lawton and The Sheridan Bank and Trust Company are majority-owned and controlled by American National Bancorp. Inc., Lawton, Okla., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources

and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks

records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.  
February 21, 1984

\* \* \*

## SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

### SOUTHERN NATIONAL BANK OF NORTH CAROLINA, Lumberton, N.C., and Community Bank of Carolina, Greensboro, N.C.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Community Bank of Carolina, Greensboro, N.C., with	\$ 50,500,000	6	_____
and Southern National Bank of North Carolina, Lumberton, N.C. (10610), which had	952,725,000	76	_____
merged March 30, 1984, under charter and title of the latter. The merged bank at date of merger had		_____	82

## COMPTROLLER'S DECISION

On December 30, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge Community Bank of Carolina, Greensboro, N.C. (CBC), into Southern National Bank of North Carolina, Lumberton, N.C. (SNB). The application is based on an agreement finalized between CBC and SNB on June 20, 1983.

SNB is a wholly-owned subsidiary of Southern National Corporation, Lumberton, N.C. SNB had total assets of \$860 million and total deposits of \$768 million as of June 30, 1983. It operates 77 offices located in 35 cities and towns in central North Carolina.

CBC had total assets of \$46 million and total deposits of \$41 million as of June 30, 1983. It operates six offices located in Greensboro and the adjacent area.

The relevant geographic market for this proposal consists of the greater Greensboro area. There are 10 commercial banks and nine savings and loans in this market. CBC ranks ninth in the market with 2.3 percent of the market's deposits. SNB does not have any banking offices in the greater Greensboro area market. Its nearest banking office is the Mayodan office,

located 23 miles northwest of CBC's nearest office in Greensboro. The two banks are located in two distinct geographic markets and do not compete directly. The merger will merely replace one competitor in the market with another and will not significantly affect competition.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. The merger will provide the Greensboro community with an expanded and more efficient line of banking services and SNB will provide greater resources which will more effectively meet the banking needs of the Greensboro community.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not

\* Assets as of December 31, 1983, reported in condition statement. Community Bank of Carolina was not a public company.

substantially lessen competition. Others factors considered in evaluating the proposal are satisfactory. Accordingly, the application is approved.  
February 29, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL  
We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

THE CONNECTICUT NATIONAL BANK,  
Hartford, Conn., and First Bank, New Haven, Conn., and New Britain Bank and Trust Company, New Britain,  
Conn., and The Terryville Trust Company, Terryville, Conn.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First Bank, New Haven, Conn., with .....	\$ 755,946,000	33	_____
New Britain Bank and Trust Company, New Britain, Conn., with .....	134,974,000	7	_____
The Terryville Trust Company, Terryville, Conn., with .....	40,447,000	5	_____
and The Connecticut National Bank, Hartford, Conn. (1338), which had .....	4,245,785,000	118	_____
merged March 31, 1984, under charter and title of the latter. The merged bank at date of merger had .....	5,177,152,000	_____	163

COMPTROLLER'S DECISION

On November 21, 1983, an application was filed with the Office of the Comptroller of the Currency for prior written authorization to merge First Bank, New Haven, Conn. (First Bank), New Britain Bank and Trust Company, New Britain, Conn. (New Britain Bank), The Terryville Trust Company, Terryville, Conn. (Terryville Trust), all of which are wholly owned subsidiaries of FirstBancorp, Inc. (FirstBancorp), with and into The Connecticut National Bank, Hartford, Conn. (CNB), a wholly owned subsidiary of Hartford National Corporation (HNC), under the charter and with the title of The Connecticut National Bank. This application is based on an agreement finalized between the proponents on September 15, 1983.

CNB has its head office in Hartford, Conn., and operates 115 branch offices which are located primarily in Hartford and Fairfield counties. It is the second largest commercial bank and second largest depository institution in Connecticut with total deposits of approximately \$3.2 billion and total assets of approximately \$4.2 billion, as of June 30, 1983.

FirstBancorp, Inc. was organized in 1978. In February 1979, it acquired First Bank, and in October 1979 it acquired New Britain Bank and Terryville Trust. The three banking subsidiaries of FirstBancorp, Inc. have 48 offices and control deposits of \$670 million. As a holding company, FirstBancorp ranks sixth among commercial banking organizations in Connecticut and tenth among all depository institutions. First Bank,

which is headquartered in New Haven, has 38 offices with deposits of \$541 million.

Twenty-three of these offices holding \$414 million in deposits are located in and around New Haven with branches also serving Bridgeport, New London and Hartford.

The proponents contend that the geographic markets which would be directly affected by the proposed transaction can be represented by several somewhat self-contained market areas within the state. Based on a careful analysis of the data, this Office finds that the areas appropriate for competitive analysis are the separate market areas outlined by the applicants. Using this delineation, both applicants compete directly in four market areas: Hartford, New Haven, Bridgeport, and New London.

In light of expanded asset and liability powers granted thrifts over the last few years, it is this Office's view that thrift institutions should be included within the line of commerce in evaluating mergers between commercial banks in the State of Connecticut<sup>1</sup>

In the Hartford market there are 62 commercial banks and thrift institutions. The market structure is uncon-

<sup>1</sup> See Decision of the Comptroller of the Currency on the Application to Merge The Connecticut National Bank, Bridgeport, Conn., and Hartford National Bank and Trust Company, Hartford, Conn., dated March 26, 1982.

concentrated. Seven of the top 10 depository institutions are thrifts, including the market leader, Society for Savings. CNB is presently the third largest depository institution in the market with a market share of 13 percent. FirstBancorp's three banking subsidiaries collectively rank as the 15th largest institution in the market with a share of only 2 percent. The proposed transaction would result in a combined market share of 15 percent.

Twenty-eight commercial banks and thrifts operate in the New Haven market. It is also an unconcentrated market. Six of the top 10, and each of the three largest depository institutions are thrifts. Additionally, over 70 percent of market deposits are held by thrift institutions. First Bank is the fourth largest institution in the market with an 8 percent share of the market. CNB is the 20th largest financial institution in the market with a share of 1 percent. The resulting bank will remain the fourth largest financial institution in the market.

There is a total of 29 commercial banks and thrifts serving the Bridgeport market. It is dominated by People's Savings Bank of Bridgeport which has deposits of over \$1.5 billion and over one-third of all deposits in the market. Because of the large share of this market leader, the market is moderately concentrated. Seven of the top 10 depository institutions in the Bridgeport market are thrifts, which hold almost 70 percent of total market deposits. CNB is presently the fourth largest depository institution in the Bridgeport market with a market share of 8 percent. First Bank is the 13th largest institution with a market share of 1 percent. The combination of these two banks would result in a combined market share of 9 percent. This increase in concentration brought on by consummation of this proposal is not considered significant in the Bridgeport market.

Thirty commercial banks and thrift institutions presently serve the New London market. It is also an unconcentrated market. The top three and seven of the top 10 depository institutions in the New London market are thrifts. Thrift institutions hold 63 percent of all market deposits in the New London market. CNB is presently the fourth largest depository institution in New London with a market share of 9 percent. First Bank is the 16th largest depository institution with total

market deposits of \$19.6 million only for a 1 percent share.

In light of the number and size of competitors in the affected markets, consummation of this proposal would not have a significant adverse effect upon competition. Each of the affected markets would remain competitive, with only a minor increase in the level of concentration resulting from the merger.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of CNB and the target banks are considered satisfactory. Projected financial information for the bank which would result from the consummation of this proposed merger indicates a financially sound institution, with adequate earnings and an improved capital base. It is expected that the merger will have a positive effect on the convenience and needs of the community because the resulting bank will have broadened managerial resources and a stronger financial condition.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

As previously discussed, the relevant geographic markets are characterized by a large number of competitors. We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not significantly lessen competition in these markets. Other factors considered in evaluating this proposal are satisfactory. Accordingly, this application is approved.

February 29, 1984

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

KEY BANK NATIONAL ASSOCIATION,  
Albany, N.Y., and One Branch of Marine Midland Bank, National Association, Buffalo, N.Y.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
One Branch of Marine Midland Bank, National Association, Buffalo, N.Y. (16833), with . . . . .	\$ 17,228,448	1	_____
was purchased March 31, 1984, by Key Bank National Association, Albany, N.Y. (1301), which had . . . . .	1,384,097,342	64	_____
After the purchase was effected the receiving bank had . . . . .	1,401,325,790	_____	65

COMPTROLLER'S DECISION

An application was filed on December 13, 1983, with the Office of the Comptroller of the Currency, by Key Bank N.A., Albany, N.Y. (Key Bank), to purchase certain of the assets and assume certain of the liabilities of the Unadilla branch office of Marine Midland Bank, N.A., Buffalo, N.Y. (Marine). This application is based upon a written agreement executed by the two banks on October 13, 1983.

As of September 30, 1983, Key Bank held total deposits of \$1.1 billion and operated 64 offices in 13 counties in northeastern New York. Key Bank is majority owned by Key Banks Inc., a registered bank holding company with deposits of \$2.7 billion. Its seven subsidiary banks operate 203 offices in 37 counties in New York. Additionally, two other national bank subsidiaries of Key Banks Inc. have an acquisition application pending with this Office.

The Unadilla branch office of Marine held total deposits of \$17 million as of September 30, 1983.

The proponents do not currently compete directly and, therefore, consummation of the proposal will not have a significant effect on competition in the relevant geographic market. The relevant geographic market for this proposal is the area immediately surrounding Unadilla and includes portions of four counties: Otsego, Delaware, Broome, and Chenango. The Unadilla branch office derives more than 90 percent of its deposits from this area. Key Bank's closest office is 16

miles northeast. Accordingly, consummation of the proposal will merely substitute one competitor in the market for another.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community are served." The financial and managerial resources of both banks are satisfactory. The future prospects of the buying bank are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

February 29, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
One Branch of The Dime Savings Bank of New York, F.S.B., New York, N.Y., with .....	\$6,633,743,000	1	_____
was purchased March 31, 1984, by Long Island Trust Company, National Association, Garden City, N.Y. (17271), which had .....	1,310,493,000	6	_____
After the purchase was effected, the receiving bank had .....		_____	7

COMPTROLLER'S DECISION

An application was filed on January 20, 1984, with the Office of the Comptroller of the Currency by Long Island Trust Company, National Association, Garden City, N.Y. (Litco), to purchase the assets and assume the liabilities of the Third Avenue branch of The Dime Savings Bank of New York, F.S.B., New York, N.Y. (Dime). The application is based upon a written agreement executed by the banks on January 18, 1984.

As of September 30, 1983, Litco held total deposits of \$1.0 billion and operated 47 offices in New York City with 25 in Nassau County, 19 in Suffolk County, two in Queens County and one in New York County. Litco is the sole subsidiary of LITCO Bancorporation of New York, Inc., a subsidiary of Banco Commerciale Italiana, a banking organization headquartered in Milan, Italy.

As of June 30, 1983, the Third Avenue branch office of Dime held total deposits of \$178 million.

Approximately one-half of the deposits of the Third Avenue office are derived from residents of Manhattan, with the remainder coming from residents of the New York metropolitan area. These latter individuals are, presumably, commuters who work in Manhattan. Under these circumstances, Manhattan is considered the relevant geographic market.

Within this market, there are 36 commercial banks holding total deposits of \$115 billion and 31 thrift institutions holding deposits of \$21 billion. Litco's sole

\* Asset figures are for the entire bank as of December 31, 1983. Information as of date of consummation was not available at press time.

office in the market holds deposits of \$1.0 million. After consummation, Litco would continue to hold less than 1 percent of market deposits. The Manhattan market is an unconcentrated and very competitive market; the proposed transaction will have no significant effect on competition within the relevant geographic market.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory. The future prospects of the buying bank are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.  
February 28, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* \* \*

**SOUTHERN NATIONAL BANK OF NORTH CAROLINA,  
Lumberton, N.C., and Cherryville National Bank, Cherryville, N.C.**

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Cherryville National Bank, Cherryville, N.C. (14229), with	\$ 29,526,000	2	
and Southern National Bank of North Carolina, Lumberton, N.C. (10610), which had	952,725,000	76	
merged March 31, 1984, under charter and title of the latter. The merged bank at date of merger had			78

## COMPTROLLER'S DECISION

On December 30, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge Cherryville National Bank, Cherryville, N.C. (CNB), into Southern National Bank of North Carolina, Lumberton, N.C. (SNB). The application is based on an agreement finalized between CNB and SNB on August 3, 1983.

SNB is a wholly-owned subsidiary of Southern National Corporation, Lumberton, N.C. SNB had total assets of \$860 million and total deposits of \$768 million as of June 30, 1983. It operates 77 offices located in 35 cities and towns in central North Carolina.

CNB had total assets of \$27 million and total deposits of \$24 million as of June 30, 1983. It operates two offices located in Cherryville.

The relevant geographic market for this proposal consists of the City of Cherryville and the area within a 5-mile radius of Cherryville. This area encompasses portions of Gaston, Lincoln and Cleveland counties. There are two commercial banks and three savings and loans in the Cherryville market. CNB ranks second with 31.5 percent of the market's deposits. SNB does not have any offices in the Cherryville market. Its nearest office is the Gastonia office, located 19 miles southeast of CNB's main office in Cherryville. There is no existing competition between CNB and SNB. The merger will merely replace one competitor in the

market with another larger institution and will not significantly impact competition.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. The merger will provide the Cherryville community with an expanded and more efficient line of banking services and SNB will provide greater resources which will more effectively meet the banking needs of the Cherryville community.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not substantially lessen competition. Other factors considered in evaluating the proposal are satisfactory. Accordingly, the application is approved  
February 29, 1984

## SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

\* Asset figures are from the December 31, 1983, report of condition. Information as of date of consummation was not available at press time.

\* \* \*

SOUTHERN NATIONAL BANK OF NORTH CAROLINA,  
Lumberton, N.C., and The First National Bank of Anson County, Wadesboro, N.C.

Name of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Anson County, Wadesboro, N.C. (4947), with	\$ 46,571,000	4	
and Southern National Bank of North Carolina, Lumberton, N.C. (10610), which had	952,725,000	76	
merged March 31, 1984, under the charter and title of the latter. The merged bank at date of merger had			80

COMPTROLLER'S DECISION

On December 30, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge The First National Bank of Anson County, Wadesboro, N.C. (FNB), into Southern National Bank of North Carolina, Lumberton, N.C. (SNB). The application is based on an agreement finalized between FNB and SNB on June 24, 1983.

SNB is a wholly-owned subsidiary of Southern National Corporation, Lumberton, N.C. SNB had total assets of \$860 million and total deposits of \$768 million as of June 30, 1983. It operates 77 offices located in 35 cities and towns in central North Carolina.

FNB had total assets of \$42 million and total deposits of \$37 million as of June 30, 1983. It operates four offices located in Anson County.

The relevant geographic market for this proposal consists of Anson County. There are three commercial banks and two savings and loan associations in the Anson County market. FNB ranks first with 37.5 percent of the market's deposits. SNB does not have any banking offices in Anson County. Its nearest banking office is the Rockingham office, located 15 miles east of FNB's Lilesville office. SNB's Mt. Gilead office is located 20 miles north of the Wadesboro Offices of FNB. There is no existing competition between SNB and FNB in the Anson County banking market. The merger will merely replace one competitor in the

market with another larger institution and will not significantly affect competition.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. The merger will provide the communities served by FNB with an expanded and more efficient line of banking services and the resulting bank will provide greater resources to more effectively meet the banking needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not substantially lessen competition. Other factors considered in evaluating the proposal are satisfactory. Accordingly, the application is approved.  
February 29, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

\* Asset figures are from the December 31, 1983 report of condition information as of date of consummation was not available at press time.

\* \* \*

II. Mergers consummated involving a single operating bank.

Because of space limitations, the *Quarterly Journal* will no longer carry the Comptroller's Decision or the Summary of Report by Attorney General for transactions involving a single operating bank if the standard text below is used

COMPTROLLER'S DECISION

\* \* \* Bank is being organized by \* \* \*, a bank holding company. The merger of \* \* \* Bank into \* \* \* (organizing) Bank is a part of a process whereby \* \* \* (holding company), will acquire 100 percent (less directors' qualifying shares) of \* \* \* Bank. The merger is a vehicle for a bank holding company acquisition and combines a non-operating bank with an existing commercial bank. As such, it presents no competitive issues under the Bank Merger Act, 12 USC 1828(c).

The financial and managerial resources of both proponents and the future prospects of the resulting bank are favorable. After the merger, the resulting bank will be in the position to draw on the financial and managerial resources of its new corporate parent. This will permit it to more effectively serve the convenience and needs of its community.

A review of the record of this application and other

information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicant's record of helping to meet the credit needs of the entire community, including low and moderate income neighborhoods, is less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the \* \* \* Bank would become a subsidiary of \* \* \*, a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by \* \* \* (holding company), it would have no effect on competition.

CAPITAL CITY FIRST NATIONAL BANK OF TALLAHASSEE,  
Tallahassee, Fla., and Capital City First National Interim Bank of Tallahassee, Tallahassee, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Capital City First National Bank of Tallahassee, Tallahassee, Fla. (14535), with .....	\$182,817,251	4	_____
and Capital City First National Interim Bank of Tallahassee, Tallahassee, Fla., (14535), which had .	240,000	0	_____
merged January 1, 1984, under charter of the latter and title of the former. The merged bank at date			
of merger had .....	182,817,251	_____	4
The resulting bank is a subsidiary of Capital City Bank Group, Inc., Tallahassee, Fla.			

\* \* \*

CAPITAL CITY SECOND NATIONAL BANK,  
Tallahassee, Fla., and Capital City Second National Interim Bank, Tallahassee, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Capital City Second National Bank, Tallahassee, Fla. (15622), with .....	\$25,397,888	2	_____
and Capital City Second National Interim Bank, Tallahassee, Fla. (15622), which had .....	240,000	0	_____
merged January 1, 1984, under charter of the latter and title of the former. The merged bank at date			
of merger had .....	25,397,888	_____	2
The resulting bank is a subsidiary of Capital City Bank Group, Inc., Tallahassee, Fla.			

\* \* \*

## CITY NATIONAL BANK

Tallahassee, Fla., and City National Interim Bank, Tallahassee, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
City National Bank, Tallahassee, Fla. (16403), with .....	\$30,392,254	3	_____
and City National Interim Bank, Tallahassee, Fla. (16403), which had .....	240,000	0	_____
merged January 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had .....	30,392,254	_____	3
The resulting bank is a subsidiary of Capital City Bank Group, Inc., Tallahassee, Fla.			

\* \* \*

## CITY NATIONAL BANK OF NEW JERSEY,

Newark, N.J., and CNB Interim Bank, National Association, Newark, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
City National Bank of New Jersey, Newark, N.J. (16142), with .....	\$53,614,000	1	_____
and CNB Interim Bank, National Association, Newark, N.J. (16142), which had .....	240,000	0	_____
consolidated January 1, 1984, under charter and title of the former. The merged bank at date of merger had .....		_____	1
The resulting bank is a subsidiary of City National Bancshares Corporation, Newark, N.J.			

\* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time

\* \* \*

## FIRST NATIONAL BANK OF JEFFERSON COUNTY,

Monticello, Fla., and First National Interim Bank of Jefferson County, Monticello, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Jefferson County, Monticello, Fla. (16759), with .....	\$9,513,928	1	_____
and First National Interim Bank of Jefferson County, Monticello, Fla. (16759), which had .....	60,000	0	_____
merged January 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had .....	9,513,928	_____	1
The resulting bank is a subsidiary of Capital City Bank Group, Inc., Tallahassee, Fla.			

\* \* \*

## INDUSTRIAL NATIONAL BANK,

Tallahassee, Fla., and Industrial National Interim Bank, Tallahassee, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Industrial National Bank, Tallahassee, Fla. (15674), with .....	\$25,332,394	1	_____
and Industrial National Interim Bank, Tallahassee, Fla. (15674), which had .....	240,000	0	_____
merged January 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had .....	25,332,394	_____	1
The resulting bank is a subsidiary of Capital City Bank Group, Inc., Tallahassee, Fla.			

\* \* \*

THE ALBERTVILLE NATIONAL BANK,  
Albertville, Ala., and The New Albertville National Bank, Albertville, Ala.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Albertville National Bank, Albertville, Ala. (11820), with .....	\$54,649,996	2	_____
and The New Albertville National Bank, Albertville, Ala. (11820), which had .....	123,600	0	_____
merged January 3, 1984, under charter of the latter and title of the former. The merged bank at date of merger had .....	55,402,520	_____	2
The resulting bank is a subsidiary of Albertville Bancshares, Inc., Albertville, Ala.			

\* \* \*

THE CITIZENS NATIONAL BANK OF EVANSVILLE,  
Evansville, Ind., and CNB National Bank, Evansville, Ind.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Citizens National Bank of Evansville, Evansville, Ind. (2188), with .....	\$615,145,000	10	_____
and CNB National Bank, Evansville, Ind. (2188), which had .....	240,000	0	_____
merged January 3, 1984, under charter of the latter and title of the former. The merged bank at date of merger had .....	615,385,000	_____	10
The resulting bank is a subsidiary of CNB Bancshares, Inc., Evansville, Ind.			

\* \* \*

THE FIRST NATIONAL BANK OF BARNESVILLE,  
Barnesville, Ga., and Interim National Bank of Barnesville, Barnesville, Ga.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Barnesville, Barnesville, Ga. (6243), with .....	\$36,290,687	1	_____
and Interim National Bank of Barnesville, Barnesville, Ga. (6243), which had .....	120,000	0	_____
merged January 3, 1984, under charter of the latter and title of the former. The merged bank at date of merger had .....	36,290,687	_____	1
The resulting bank is a subsidiary of First Barnesville Corporation, Barnesville, Ga.			

\* \* \*

THE BRIGHT NATIONAL BANK AT FLORA,  
Flora, Ind., and Carroll National Bank, Flora, Ind.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Bright National Bank at Flora, Flora, Ind. (13877), with .....	\$45,603,236	2	_____
and Carroll National Bank, Flora, Ind. (13877), which had .....	60,000	0	_____
merged January 9, 1984, under charter of the latter and title of the former. The merged bank at date of merger had .....	45,603,236	_____	2
The resulting bank is a subsidiary of Bright Financial Services, Inc., Flora, Ind.			

\* \* \*

FIRST NATIONAL BANK OF CROSSETT,  
Crossett, Ark., and Bank of Crossett, Crossett, Ark.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Crossett, Crossett, Ark. (15504), with .....	\$56,720,314	3	_____
and Bank of Crossett, National Association, Crossett, Ark. (15504), which had .....	60,000	0	_____
consolidated January 9, 1984, under charter and title of the former. The consolidated bank at date of consolidation had .....	55,975,297	_____	3
The resulting bank is a subsidiary of Ashley Bancstock Company, Crossett, Ark.			

\* \* \*

THE CITIZENS NATIONAL BANK OF MARTINSBURG,  
Martinsburg, W. Va., and CNB Bank, National Association, Martinsburg, W. Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Citizens National Bank of Martinsburg, Martinsburg, W. Va. (4811), with .....	\$66,458,000	2	_____
and CNB Bank, National Association, Martinsburg, W. Va. (4811), which had .....	120,000	0	_____
consolidated January 12, 1984, under the charter and title of the former. The consolidated bank at date of consolidation had .....		_____	2
The resulting bank is a subsidiary of One Valley Bancorp of West Virginia, Inc., Martinsburg, W. Va.			

\* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

\* \* \*

THE FIRST NATIONAL BANK OF COMMERCE,  
Commerce, Tex., and New First National Bank, Commerce, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Commerce, Commerce, Tex. (4021), with .....	\$33,654,027	1	_____
and New First National Bank, Commerce, Tex. (4021), which had .....	120,000	0	_____
merged January 30, 1984, under charter of the latter and with the title of "First National Bank." The merged bank at date of merger had .....	33,774,027	_____	1
The resulting bank is a subsidiary of United Bankers, Inc., Waco, Tex.			

\* \* \*

THE FIRST NATIONAL BANK OF KENOSHA,  
Kenosha, Wis., and FNBK National Bank, Kenosha, Wis.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Kenosha, Kenosha, Wis. (212), with .....	\$217,916,000	4	_____
and FNBK National Bank, Kenosha, Wis. (212), which had .....	240,000	0	_____
merged January 31, 1984, under charter of the latter and title of the former. The merged bank at date of merger had .....		_____	4
The resulting bank is a subsidiary of First Financial Associates, Inc., Kenosha, Wis.			

\* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

\* \* \*

NORTHERN NATIONAL BANK,  
Colorado Springs, Colo., and Post Interim National Bank, Colorado Springs, Colo.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Post Interim National Bank, Colorado Springs, Colo. (15170), with	\$ 240,000	0	_____
and Northern National Bank, Colorado Springs, Colo. (15170), which had	20,730,923	1	_____
consolidated January 31, 1984, under charter and title of the latter. The consolidated bank at date of consolidation had	20,730,923	_____	1
The resulting bank is a subsidiary of Post Bancorp, Inc., Colorado Springs, Colo.			

\* \* \*

CENTRAL NATIONAL BANK OF ST. JOHNS,  
St. Johns, Mich., and New National Bank of St. Johns, St. Johns, Mich.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Central National Bank of St. Johns, St. Johns, Mich. (15420), with	\$66,956,957	4	_____
and New National Bank of St. Johns, St. Johns, Mich. (15420), which had	120,000	0	_____
consolidated February 1, 1984, under the charter and title of the latter. The consolidated bank at date of consolidation had	67,076,957	_____	4
The resulting bank is a subsidiary of American National Holding Company, Kalamazoo, Mich.			

\* \* \*

COMMUNITY NATIONAL BANK,  
Forest City, Pa., and CNB National Bank, Forest City, Pa.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Community National Bank, Forest City, Pa. (14205), with	\$58,171,000	1	_____
and CNB National Bank, Forest City, Pa. (14205), which had	120,000	0	_____
merged February 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	58,171,000	_____	1
The resulting bank is a subsidiary of Comm. Bancorp, Inc., Forest City, Pa.			

\* \* \*

THE FIRST NATIONAL BANK OF AURORA,  
Aurora, Ind., and River City National Bank, Aurora, Ind.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Aurora, Aurora, Ind. (699), with	\$45,801,501	3	_____
and River City National Bank, Aurora, Ind. (699), which had	60,000	0	_____
merged February 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	45,853,658	_____	3
The resulting bank is a subsidiary of Aurora First National Bancorp., Aurora, Ind.			

\* \* \*

# SAN JOSE NATIONAL BANK

San Jose, Calif., and San Jose Interim National Bank, San Jose, Calif.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
San Jose National Bank, San Jose, Calif. (17315), with	\$58,666,209	1	_____
and San Jose Interim National Bank, San Jose, Calif. (17315), which had	240,683	0	_____
merged February 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	58,906,902	_____	1
The resulting bank is a subsidiary of SJNB Financial Corp., San Jose, Calif.			

\* \* \*

# THE ST. LAWRENCE NATIONAL BANK,

Canton, N.Y., and 45-49 Court Street Bank, National Association, Canton, N.Y.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The St. Lawrence National Bank, Canton, N.Y. (8531), with	\$229,544,000	20	_____
and 45-49 Court Street Bank, National Association, Canton, N.Y. (8531), which had	120,000	0	_____
merged February 3, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	_____	_____	20
The resulting bank is a subsidiary of Community Bank System, Inc., Canton, N.Y.			

\* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

\* \* \*

# CITIZENS NATIONAL BANK & TRUST,

Marshfield, Wis., and American National Bank, Marshfield, Wis.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Citizens National Bank & Trust, Marshfield, Wis. (14125), with	\$83,254,729	1	_____
and American National Bank, Marshfield, Wis. (14125), which had	120,000	0	_____
merged February 15, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	83,374,729	_____	1
The resulting bank is a subsidiary of Dairyland Bancshares, Inc., Marshfield, Wis.			

\* \* \*

# DARTMOUTH NATIONAL BANK OF HANOVER,

Hanover, N.H., and New Dartmouth National Bank, Hanover, N.H.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Dartmouth National Bank of Hanover, Hanover, N.H. (1145), with	\$105,827,000	3	_____
and New Dartmouth National Bank, Hanover, N.H. (1145), which had	125,000	0	_____
merged March 1, 1984, under charter of the latter and with the title of Dartmouth National Bank	_____	_____	3
The merged bank at date of merger had			
The resulting bank is a subsidiary of Dartmouth National Corporation, Hanover, N.H.			

\* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

\* \* \*

FARMERS AND MERCHANTS NATIONAL BANK IN BENTON HARBOR,  
 Benton Harbor, Mich., and F & M National Bank, Benton Harbor, Mich.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Farmers and Merchants National Bank in Benton Harbor, Benton Harbor, Mich. (13833), with...	\$178,856,000	7	_____
and F & M National Bank, Benton Harbor, Mich. (13833), which had .....	130,000	0	_____
merged March 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had .....		_____	7
The resulting bank is a subsidiary of NBD Bancorp, Inc., Detroit, Mich.			

\* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

\* \* \*

THE FIRST NATIONAL BANK OF BLUEFIELD,  
 Bluefield, W. Va., and Bluefield First National Interim Bank, Bluefield, W. Va.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Bluefield, Bluefield, W. Va. (4643), with .....	\$122,133,000	2	_____
and Bluefield First National Interim Bank, Bluefield, W. Va. (4643), which had .....	120,000	0	_____
merged March 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had .....	122,133,000	_____	2
The resulting bank is a subsidiary of Pocahontas Bankshares Corporation, Bluefield, W. Va.			

\* \* \*

THE FREMONT NATIONAL BANK AND TRUST COMPANY,  
 Fremont, Neb., and Fremont Bank, National Association, Fremont, Neb.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Fremont National Bank and Trust Company, Fremont, Neb. (2848), with .....	\$90,381,000	2	_____
and Fremont Bank, National Association, Fremont, Neb. (2848), which had .....	120,000	0	_____
consolidated March 1, 1984, under the charter and title of the former. The consolidated bank at date of consolidation had .....		_____	2
The resulting bank is a subsidiary of Pathfinder Bancshares, Inc., Fremont, Neb.			

\* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

\* \* \*

THE FIRST NATIONAL BANK OF OVID,  
Ovid, N.Y., and 7193 Main Street Bank, National Association, Ovid, N.Y.

Name of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Ovid, Ovid, N.Y. (7840), with .....	\$25,157,000	1	_____
and 7193 Main Street Bank, National Association, Ovid, N.Y. (7840), which had .....	60,000	0	_____
merged March 2, 1984, under charter of the latter and title of the former. The merged bank at date of merger had .....		_____	1
The resulting bank is a subsidiary of Community Bank System, Inc., Canton, N.Y.			

\* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983 report of condition for the operating bank. Information as of date of consummation was not available at press time.

\* \* \*

THE CITY NATIONAL BANK OF CHARLESTON,  
Charleston, W. Va., and The City Bank of Charleston, National Association, Charleston, W. Va.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The City National Bank of Charleston, Charleston, W. Va. (14807), with .....	\$99,149,000	1	_____
and The City Bank of Charleston, National Association, Charleston, W. Va. (14807), which had ..	247,000	0	_____
merged March 7, 1984, under charter of the latter and title of the former. The merged bank at date of merger had ..	99,149,000	_____	1
The resulting bank is a subsidiary of City Holding Company, Charleston, W. Va.			

\* \* \*

COUNTY NATIONAL BANK OF SOUTH FLORIDA,  
North Miami Beach, Fla., and County Interim National Bank, North Miami Beach, Fla.

Name of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
County National Bank of South Florida, North Miami Beach, Fla. (15026), with ..	\$131,936,009	7	_____
and County Interim National Bank, North Miami Beach, Fla. (15026), which had ..	240,000	0	_____
merged March 12, 1984, under charter of the latter and title of the former. The merged bank at date of merger had ..	132,534,108	_____	7
The resulting bank is a subsidiary of County Financial Corporation, North Miami Beach, Fla.			

FIRST NATIONAL BANK,  
 Paragould, Ark., and Interim National Bank of Paragould, Paragould, Ark.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Interim National Bank of Paragould, Paragould, Ark. (10004), with	\$ 120,000	0	
and First National Bank, Paragould, Ark. (10004), which had	107,508,572	2	
consolidated March 14, 1984, under charter of the former and title of the latter. The consolidated bank at date of consolidation had	107,508,572		2
The resulting bank is a subsidiary of First Paragould Bankshares, Inc., Paragould, Ark.			

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

\* \* \*

THE STATE NATIONAL BANK OF FRANKFORT,  
 Frankfort, Ky., and New State National Bank of Frankfort, Frankfort, Ky.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The State National Bank of Frankfort, Frankfort, Ky. (4090), with	\$63,497,000	4	
and New State National Bank of Frankfort, Frankfort, Ky. (4090), which had	120,000	0	
merged March 16, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	63,617,000		4
The resulting bank is a subsidiary of State National Bancorp. of Frankfort, Inc., Frankfort, Ky.			

\* \* \*

CITIZENS NATIONAL BANK OF OPP,  
 Opp, Ala., and The Colonial Bank of Opp, National Association, Opp, Ala.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Citizens National Bank of Opp, Opp, Ala. (15536), with	\$17,064,000	1	
and The Colonial Bank of Opp, National Association, Opp, Ala. (15536), which had	120,000	0	
merged March 23, 1984, under charter and title of the latter. The merged bank at date of merger had	17,595,000		1
The resulting bank is a subsidiary of Colonial BancGroup, Inc., Wilmington, Del.			

\* \* \*

GREENVILLE NATIONAL BANK,  
 Greenville, Ohio, and Greenville National Phantom Bank, Greenville, Ohio

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Greenville National Bank, Greenville, Ohio (13944), with	\$74,929,462	5	
and Greenville National Phantom Bank, Greenville, Ohio (13944), which had	120,000	0	
merged March 30, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	74,929,462		5
The resulting bank is a subsidiary of Greenville National Bancorp, Greenville, Ohio			

\* \* \*

# THE LORAIN NATIONAL BANK,

Lorain, Ohio, and Lorain Interim, National Association, Lorain, Ohio

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Lorain National Bank, Lorain, Ohio (14290), with .....	\$233,700,000	13	_____
and Lorain Interim National Association, Lorain, Ohio (14290), which had .....	240,000	0	_____
merged March 30, 1984 under charter of the latter and title of the former. The merged bank at date of merger had .....	233,940,000	_____	13
The resulting bank is a subsidiary of LNB Bancorp, Inc., Lorain, Ohio.			

\* \* \*

# COLUMBIA COUNTY FARMERS NATIONAL BANK,

Orangeville, Pa., and CCFNB National Bank, Orangeville, Pa.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Columbia County Farmers National Bank, Orangeville, Pa. (11058), with .....	\$56,404,000	5	_____
and CCFNB National Bank, Orangeville, Pa. (11058), which had .....	120,000	0	_____
merged March 31, 1984, under charter of the latter and title of the former. The merged bank at date of merger had .....	56,404,000	_____	5
The resulting bank is a subsidiary of CCFNB Bancorp, Inc., Orangeville, Pa.			

\* \* \*

---

# Statistical Tables

---

	<i>Page</i>
Changes in the structure of the national banking system, by states, calendar 1983	117
Assets, liabilities and capital accounts of national banks, 1982 and 1983	118
Income and expenses of national banks, 1982–1983	119
Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, December 31 1983	120
Domestic office deposits of national banks, by states, December 31, 1983	128
Domestic office loans of national banks, by states, December 31, 1983	129
Outstanding balances, credit cards and related plans of national banks, December 31, 1983	130
Consolidated assets and liabilities of national banks with foreign operations, December 31, 1983	131
Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, year ended December 31, 1983	132
National banks engaged in lease financing, December 31, 1983	147
Loan losses and recoveries of national banks, 1970–1983	148
Assets and liabilities of national banks, date of last report of condition, 1972–1983	149
Assets and equity capital, net income, and dividends of national banks, 1967–1983	150
Total loans and leases past due at national banks, by states, December 31, 1983	151
Average national banks' percent of loans past due at domestic offices, by assets	152
Average national banks' percent of loans past due at foreign offices, by assets	153



*Changes in the structure of the national banking system, by states, calendar 1983*

	<i>In operation Dec 31, 1982</i>	<i>Organized and opened for business</i>	<i>Consolidated and merged under 12 USC 215</i>		<i>Insol- vencies</i>	<i>Liqui- dated</i>	<i>12 USC 214</i>		<i>In operation Dec 31, 1983</i>
			<i>Consoli- dated</i>	<i>Merged</i>			<i>Converted to state banks</i>	<i>Merged or consolidated with state banks</i>	
United States	4,580	309	4	83	3	12	8	22	4,757
Alabama	88	2	0	12	0		1		77
Alaska	5	1	0	0	0	0	0	0	6
Arizona	3	2	0	0	0	0	0	0	5
Arkansas	71	3	0	1	0	0	0	0	73
California	97	40	0	0	0	1	1	1	134
Colorado	183	26	0	1	0	0	0	0	208
Connecticut	14	0	0	0	0	0	0	0	14
Delaware	11	4	0	0	0	0	0	1	14
District of Columbia	16	2	0	0	0	0	0	0	18
Florida	190	26	0	15	0	3	0	1	197
Georgia	63	1	0	5	0	0	0	0	59
Hawaii	3	0	0	0	0	0	0	0	3
Idaho	7	0	0	0	0	0	0	0	7
Illinois	404	2	0	1	1	2	0	0	402
Indiana	116	1	0	1	0	1	0	1	114
Iowa	100	3	0	2	0	0	1	0	100
Kansas	151	5	0	0	0	0	0	0	156
Kentucky	77	0	0	0	0	0	0	0	77
Louisiana	52	9	0	0	0	0	1	0	60
Maine	10	0	0	0	0	0	0	1	9
Maryland	26	0	0	1	0	0	0	0	25
Massachusetts	69	1	0	3	0	1	0	0	66
Michigan	125	1	0	1	0	0	1	0	124
Minnesota	202	1	0	1	0	0	0	0	202
Mississippi	35	0	0	1	0	0	0	0	34
Missouri	118	8	0	2	0	0	0	0	124
Montana	55	0	0	0	1	0	0	0	54
Nebraska	121	1	0	0	0	0	0	0	122
Nevada	3	2	0	0	0	0	0	0	5
New Hampshire	33	0	0	1	0	0	0	2	30
New Jersey	83	0	0	4	0	0	0	0	79
New Mexico	41	3	0	0	0	0	0	1	43
New York	111	2	0	3	0	0	1	1	108
North Carolina	20	1	0	0	0	0	0	1	20
North Dakota	40	0	0	0	0	0	0	0	40
Ohio	161	7	0	6	0	2	0	1	159
Oklahoma	196	16	0	0	0	0	1	0	211
Oregon	7	0	0	0	0	0	0	0	7
Pennsylvania	203	1	0	0	0	1	0	6	197
Rhode Island	5	0	0	0	0	0	0	0	5
South Carolina	17	0	0	0	0	0	0	0	17
South Dakota	34	0	4	1	0	0	0	0	29
Tennessee	65	7	0	3	0	0	0	0	69
Texas	758	124	0	2	0	0	0	0	880
Utah	7	0	0	0	0	0	0	0	7
Vermont	11	0	0	0	0	0	0	0	11
Virginia	61	3	0	5	0	0	1	3	55
Washington	23	0	0	0	0	0	0	0	23
West Virginia	111	1	0	8	0	1	0	1	102
Wisconsin	128	0	0	3	0	0	0	1	124
Wyoming	50	3	0	0	1	0	0	0	52

NOTE. Does not include one nonnational bank in the District of Columbia

# Assets, liabilities and capital accounts of national banks, 1982 and 1983

(Dollar amounts in millions)

	December 31, 1982 459 banks		December 31, 1983 475 banks*		Change in total assets	
Assets	Consolidated foreign and domestic	Domestic offices	Consolidated foreign and domestic	Domestic offices	Amount	Percent
Consolidated foreign and domestic	\$ 207 709	\$ 121 135	\$ 215 217	\$ 135 684	\$ 7 508	3.6
Federal funds purchased and securities	58 987	58 821	85 018	84 914	26 031	44.3
U.S. government securities	36 198	36 178	36 520	36 498	522	1.4
U.S. government securities - government agencies and corporations	82 693	82 076	85 046	84 408	348	0.4
U.S. government securities - political subdivisions	20 495	14 591	21 996	14 255	1 501	7.3
Total securities	198 373	191 666	228 580	220 076	30 207	15.2
Federal funds sold and securities purchased under agreements to resell	58 969	58 506	54 158	53 904	4 813	8.2
Total loans excluding unearned income	728 532	588 865	787 590	654 945	59 058	8.1
Allowance for possible loan losses	8 075	7 816	9 651	9 397	1 576	19.5
Net loans	720 457	581 049	777 939	645 543	57 482	7.9
Lease financing receivables	11 203	9 218	11 705	9 703	505	4.5
Bank premises, furniture and fixtures, and other assets representing bank premises	19 992	18 608	21 652	19 992	1 660	8.3
Real estate owned other than bank premises	2 494	2 405	2 861	2 764	367	14.7
All other assets	77 961	87 417	81 002	87 434	3 041	3.9
Total assets	1 297 158	1 070 004	1 393 112	1 175 522	95 954	7.4
Liabilities						
Demand deposits of individuals, partnerships and corporations	167 309	167 309	182 861	182 861	15 552	9.3
Time and savings deposits of individuals, partnerships and corporations	508 932	508 932	582 045	582 045	73 113	14.4
Deposits of U.S. government	1 912	1 912	2 031	2 031	119	6.2
Deposits of states and political subdivisions	44 912	44 912	42 771	42 771	2 141	4.8
All other deposits	48 252	48 252	46 162	46 162	2 090	4.3
Certified and officers' checks	7 808	7 808	8 628	8 628	820	10.5
Total deposits in domestic offices	779 125	779 125	864 497	864 497	85 372	11.0
Demand deposits	210 796	210 796	225 867	225 867	15 071	7.1
Time and savings deposits	568 329	568 329	638 630	638 630	70 301	12.4
Total deposits in foreign offices	212 317	-	213 568	-	1 251	0.6
Total deposits	991 442	779 125	1 078 065	864 497	86 623	8.7
Federal funds purchased and securities sold under agreements to repurchase	117 801	117 629	119 595	119 281	1 794	1.5
Interest-bearing demand notes issued to U.S. Treasury	10 376	10 376	5 705	5 705	-4 671	-45.0
Other liabilities for borrowed money	24 974	12 981	27 267	14 807	2 293	9.2
Mortgage indebtedness and liability for capitalized leases	1 760	1 744	1 752	1 741	8	0.5
All other liabilities	75 205	72 793	78 158	87 156	2 953	4.0
Total liabilities	1 221 558	994 648	1 310 543	1 093 187	88 985	7.3
Subordinated notes and debentures	3 877	3 632	3 523	3 289	-354	-9.1
Equity Capital						
Preferred stock	115	115	176	176	61	53.0
Common stock	13 501	13 501	14 178	114 178	677	5.0
Surplus	21 368	21 368	24 227	24 227	2 859	13.4
Undivided profits and reserve for contingencies and other capital reserves	36 739	36 739	40 465	40 465	3 726	10.1
Total equity capital	71 724	71 724	79 046	79 046	7 322	10.2
Total liabilities, subordinated notes and debentures and equity capital	1 297 158	1 070 004	1 393 112	1 175 522	95 954	7.4

\* Excludes five noninsured national banks with total assets of \$6.5 million and Deposit Insurance National Bank, Oklahoma City, Oklahoma, with total assets of approximately \$6 million.  
Source: Call Aggregate System

*Income and expenses of national banks, 1982-1983*  
(Dollar amounts in millions)

	December 31, 1982 4,579 banks		December 31, 1983 4,751 banks		Change 1982-1983	
	Amount	Percent distribution	Amount	Percent distribution	Amount	Percent
Operating income						
Interest and fees on loans	\$101,295.7	65.8	\$ 92,680.9	64.5	\$ -8,614.8	-8.5
Interest on balances with depository institutions	15,327.6	10.0	10,779.4	7.5	-4,548.2	-29.7
Income on federal funds sold and securities purchased under agreements to resell	6,525.4	4.2	5,332.1	3.7	-1,193.3	-18.3
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	10,013.0	6.5	11,905.8	8.3	1,892.8	18.9
Interest on obligations of states and political subdivisions in the United States	5,701.2	3.7	5,729.2	4.0	28.0	.5
Income from all other securities (including dividends on stock)	960.0	.6	1,121.6	.8	161.6	16.8
Income from lease financing	1,313.7	.9	1,376.9	1.0	63.2	4.8
Income from fiduciary activities	2,060.0	1.3	2,405.3	1.7	345.3	16.8
Service charges on deposit accounts	2,516.5	1.6	3,040.2	2.1	523.7	20.8
Other service charges, commissions and fees	4,319.4	2.8	5,072.3	3.5	752.9	17.4
Other operating income	3,833.0	2.5	4,141.6	2.9	308.6	8.1
<i>Total operating income</i>	153,865.4	100.0	143,585.3	100.0	-10,280.1	-6.7
Operating expenses:						
Salaries and employee benefits	18,224.9	12.7	19,955.4	15.0	1,730.5	9.5
Interest on time certificates of \$100,000 or more (issued by domestic offices)	22,545.6	15.7	13,445.2	10.1	-9,100.4	-40.4
Interest on deposits in foreign offices	28,051.0	19.6	19,912.8	14.9	-8,138.2	-29.0
Interest on other deposits	33,190.5	23.2	37,606.4	28.2	4,415.9	13.3
Expense of federal funds purchased and securities sold under agreements to repurchase	13,860.5	9.6	10,991.1	8.2	-2,869.4	-20.7
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	4,074.9	2.8	4,464.6	3.4	389.7	9.6
Interest on subordinated notes and debentures	355.0	.2	355.8	.2	.8	.2
Occupancy expense of bank premises, net and furniture and equipment expense	5,839.5	4.1	6,614.2	5.0	774.7	13.3
Provision for possible loan losses	5,343.2	3.7	6,895.0	5.2	1,551.8	29.0
Other operating expenses	11,917.8	8.3	13,005.0	9.8	1,087.2	9.1
<i>Total operating expenses</i>	143,349.0	100.0	133,245.5	100.0	-10,103.5	-7.1
Income before income taxes and securities gains or losses	10,516.4		10,339.8		-176.6	-1.7
Applicable income taxes	1,898.4		2,277.9		379.5	20.0
Income before securities gains or losses	8,618.0		8,061.8		-556.2	-6.5
Securities gains (losses), gross	-760.6		-19.6		-741.0	-97.4
Applicable income taxes	-338.3		-10.0		-328.0	-97.0
Securities gains (losses), net	-422.2		-9.5		-412.7	-97.8
Income before extraordinary items	8,195.8		8,052.2		-143.6	-1.8
Extraordinary items, net	40.2		42.5		2.3	.5
Net income	8,236.0		8,094.7		-141.3	-1.7
Cash dividends declared on common stock	3,801.8		4,184.9		383.1	10.1
Cash dividends declared on preferred stock	6.5		22.5		16.0	246.2
Total cash dividends declared	3,808.3		4,207.4		399.1	10.5
Recoveries credited to allowance for possible loan losses	1,010.5		1,299.3		288.8	28.6
Losses charged to allowance for possible loan losses	5,148.3		6,702.5		1,554.2	30.2
Net loan losses	4,137.8		5,403.2		1,265.4	30.6
Ratio to total operating income	Percent		Percent			
Interest on deposits	54.5		49.4			
Other interest expense	11.9		11.0			
Salaries and employee benefits	11.8		13.9			
Other noninterest expense	15.0		18.5			
Total operating expenses	93.2		92.8			
Ratio of net income to						
Total assets (end of period)	0.64		0.58			
Total equity capital (end of period)	11.48		10.24			

Source: Call Aggregate System.

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, December 31 1983

(Dollar amounts in millions)

	Total United States	Alabama	Alaska	Arizona	Arkansas	California
	4 751	77	6	5	72	134
<b>Assets</b>						
U.S. government securities	\$ 215 217	\$ 1 645	\$ 298	\$ 2 224	\$ 752	\$ 1 980
U.S. government agencies and corporations	85 018	1 278	202	1 231	808	4 769
U.S. government political subdivisions	36 520	974	106	130	503	2 787
U.S. government other than bank premises	85 046	1 580	337	814	685	3 232
U.S. government other than bank premises	21 996	77	4	36	54	4 769
<b>Total U.S. assets</b>	228 580	3 909	649	2 211	2 110	14 108
Foreign assets	54 158	557	57	60	762	1 341
<b>Total assets</b>	787 590	5 799	1 067	7 727	4 119	13 519
Assets excluding (earned income)	9 651	87	13	97	44	1 450
Assets excluding (loan losses)	777 939	5 713	1 054	7 630	4 075	13 373
<b>Liabilities</b>						
Deposits of individuals, partnerships and corporations	11 705	39	5	113	22	3 609
Deposits of U.S. government	21 652	252	82	297	156	3 633
Deposits of states and political subdivisions	2 031	45	13	27	24	765
Deposits of other banks	42 771	781	216	98	464	2 552
Deposits of other banks	46 162	176	10	116	219	7 643
Deposits of other banks	8 628	60	36	151	40	1 643
<b>Total deposits</b>	864 497	9 633	1 737	10 719	6 519	124 376
Deposits in domestic offices	225 867	2 707	694	2 781	1 549	28 543
Deposits in foreign offices	638 630	6 926	1 043	7 938	4 969	95 834
<b>Total deposits</b>	2 13 568	144	—	20	0	43 189
<b>Total liabilities</b>	1 078 065	9 777	1 737	10 739	6 519	167 565
Federal funds purchased and securities sold under agreements to repurchase	119 595	1 245	178	995	800	8 204
Interest-bearing demand notes issued to U.S. Treasury	5 705	30	11	38	15	716
Other liabilities for borrowed money	27 268	70	2	59	33	4 216
Mortgage indebtedness and liability for capitalized leases	1 751	12	4	12	5	288
Other liabilities	78 157	304	28	405	97	15 204
<b>Total liabilities</b>	1 310 540	11 437	1 959	12 248	7 468	196 193
Subordinated notes and debentures	3 523	25	—	42	22	194
<b>Equity Capital</b>						
Preferred stock	176	4	0	0	11	4
Common stock	14 178	82	55	63	92	2 519
Surplus	24 227	389	76	176	126	2 810
Undivided profits and reserve for contingencies and other capital reserves	40 465	510	111	480	359	3 491
<b>Total equity capital</b>	79 046	985	243	719	588	8 827
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	1 393 112	12 447	2 201	13 009	8 078	205 210
Number of banks with foreign offices	135	2	1	2	0	5
<b>Total domestic office assets</b>	1 175 522	12 280	2 200	12 985	8 078	160 363

See notes at end of table

(Dollar amounts in millions)

	Connecticut	Delaware	District of Columbia	Florida	Georgia	Hawaii	Idaho
Number of banks	14	14	18	193	59	3	7
<b>Assets</b>							
Cash and due from depository institutions	\$ 3,261	\$ 211	\$ 2,571	\$ 6,958	\$ 3,524	\$ 22	\$ 709
U.S. Treasury securities	261	76	1,626	5,379	1,452	15	568
Obligations of other U.S. government agencies and corporations	210	28	384	1,551	527	34	91
Obligations of states and political subdivisions	973	25	1,200	4,398	1,909	6	379
All other securities	81	29	93	299	147	—	35
Total securities	1,525	158	3,303	11,627	4,035	55	1,073
Federal funds sold and securities purchased under agreements to resell	361	55	434	3,515	678	11	94
Total loans (excluding unearned income)	5,526	3,148	5,707	22,096	9,251	95	2,964
Allowance for possible loan losses	59	58	78	264	136	1	33
Net loans	5,467	3,090	5,628	21,832	9,115	94	2,931
Lease financing receivables	44	0	28	81	143	1	68
Bank premises, furniture and fixtures, and other assets representing bank premises	187	34	157	1,191	349	4	96
Real estate owned other than bank premises	25	2	21	51	27	—	25
All other assets	243	50	327	1,335	1,067	4	87
Total assets	11,112	3,601	12,469	46,589	18,937	190	5,083
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	2,492	101	2,178	8,496	3,827	36	645
Time and savings deposits of individuals, partnerships and corporations	4,788	1,387	5,285	26,728	7,434	101	3,062
Deposits of U.S. government	65	2	79	72	101	—	10
Deposits of states and political subdivisions	350	23	28	983	713	28	248
All other deposits	466	2	757	964	853	3	10
Certified and officers' checks	30	14	93	418	77	5	33
Total deposits in domestic offices	8,191	1,528	8,420	37,661	13,005	173	4,007
Demand deposits	3,145	129	2,552	10,178	4,804	43	741
Time and savings deposits	5,046	1,399	5,867	27,483	8,201	130	3,267
Total deposits in foreign offices	463	0	1,608	438	377	0	0
Total deposits	8,654	1,528	10,027	38,099	13,382	173	4,007
Federal funds purchased and securities sold under agreements to repurchase	1,514	427	1,323	4,650	3,078	1	603
Interest-bearing demand notes issued to U.S. Treasury	118	1	61	102	9	—	16
Other liabilities for borrowed money	79	1,075	81	19	90	—	8
Mortgage indebtedness and liability for capitalized leases	10	8	11	70	15	1	6
All other liabilities	153	95	272	780	1,136	2	119
Total liabilities	10,528	3,133	11,776	43,719	17,710	178	4,760
Subordinated notes and debentures	14	109	10	31	160	2	23
<b>Equity Capital</b>							
Preferred stock	—	13	0	—	0	0	0
Common stock	103	104	76	548	190	5	43
Surplus	221	190	165	1,171	313	4	185
Individed profits and reserve for contingencies and other capital reserves	246	51	442	1,121	565	2	71
Total equity capital	570	359	684	2,840	1,068	11	300
Total liabilities, subordinated notes and debentures and equity capital	11,112	3,601	12,469	46,589	18,937	190	5,083
Number of banks with foreign offices	2	0	4	8	3	0	0
Total domestic office assets	10,648	3,601	10,944	46,202	18,578	190	5,083

See notes at end of table

(Dollar amounts in millions)

	Illinois	Indiana	Iowa	Kansas	Kentucky	Mississippi	Montana
<b>Assets</b>	402	114	100	156	77	60	4
State and local government institutions	\$ 17 453	\$ 3 546	\$ 862	\$ 931	\$ 1 125	\$ 1 386	\$ 301
U.S. Treasury securities	5 923	2 470	966	883	313	2 222	246
Securities of U.S. government agencies and corporations	3 341	1 059	563	809	486	764	84
Securities of states and political subdivisions	5 335	1 842	776	892	1 012	1 626	177
Other securities	2 192	338	54	86	106	74	14
<b>Total securities</b>	16 791	5 709	2 359	2 670	2 917	4 686	525
Regulatory assets sold and securities purchased under agreements to resell	3 750	1 311	483	651	1 014	860	14
Total loans (excluding unearned income)	68 631	10 244	4 051	4 450	5 377	7 686	942
Allowance for possible loan losses	790	123	47	51	70	109	11
<b>Net loans</b>	67 842	10 121	4 003	4 399	5 307	7 577	931
Lease financing receivables	282	177	12	21	133	75	3
Bank premises, furniture and fixtures, and other assets representing bank premises	1 198	319	131	157	191	360	31
Real estate owned other than bank premises	194	50	37	25	16	38	2
All other assets	5 362	707	202	190	214	278	31
<b>Total assets</b>	112 871	21 940	8 089	9 043	10 917	15 860	1 801
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	11 072	2 895	1 154	1 323	1 686	2 931	337
Time and savings deposits of individuals, partnerships and corporations	36 663	12 169	4 934	5 092	5 901	7 718	1 083
Deposits of U.S. government	87	35	15	17	12	30	8
Deposits of states and political subdivisions	2 964	1 267	305	790	355	1 364	91
All other deposits	6 909	706	328	302	330	559	9
Certified and officers' checks	565	176	35	57	67	114	13
<b>Total deposits in domestic offices</b>	58 259	17 248	6 772	7 580	8 350	12 716	1 540
Demand deposits	14 171	4 087	1 565	1 760	2 122	3 791	394
Time and savings deposits	44 088	13 161	5 207	5 820	6 229	8 925	1 146
<b>Total deposits in foreign offices</b>	30 904	227	10	0	200	150	0
<b>Total deposits</b>	89 163	17 475	6 782	7 580	8 551	12 866	1 540
Federal funds purchased and securities sold under agreements to repurchase	8 100	2 196	546	522	1 305	1 393	95
Interest-bearing demand notes issued to U.S. Treasury	813	108	22	33	42	19	9
Other liabilities for borrowed money	3 083	51	5	23	25	42	9
Mortgage indebtedness and liability for capitalized leases	39	39	18	4	31	20	1
All other liabilities	5 411	630	120	129	211	222	21
<b>Total liabilities</b>	106 609	20 499	7 493	8 291	10 165	14 562	1 675
Subordinated notes and debentures	281	21	26	11	6	25	2
<b>Equity Capital</b>							
Preferred stock	7	0	—	—	—	0	4
Common stock	847	230	87	121	97	163	16
Surplus	2 080	425	129	195	151	328	33
Undivided profits and reserve for contingencies and other capital reserves	3 047	765	354	424	497	783	70
<b>Total equity capital</b>	5 981	1 420	570	740	745	1 274	124
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	112 871	21 940	8 089	9 043	10 917	15 860	1 801
Number of banks with foreign offices	5	3	1	0	1	3	0
<b>Total domestic office assets</b>	87 869	21 711	8 077	9 043	10 743	15 795	1 801

See notes at end of table

continued

(Dollar amounts in millions)

	Maryland	Massachusetts	Michigan	Minnesota	Mississippi	Missouri	Montana
Number of banks	25	66	124	202	34	124	54
<b>Assets</b>							
Cash and due from depository institutions	\$ 2,371	\$ 6,755	\$ 5,915	\$ 4,926	\$ 893	\$ 3,671	\$ 429
U.S. Treasury securities	1,008	1,266	3,470	2,217	699	1,229	431
Obligations of other U.S. government agencies and corporations	226	343	1,231	1,128	351	822	85
Obligations of states and political subdivisions	845	1,268	2,672	2,372	863	1,549	320
All other securities	478	714	344	423	88	247	15
Total securities	2,557	3,591	7,717	6,140	2,001	3,847	851
Federal funds sold and securities purchased under agreements to resell	602	551	1,131	722	283	1,927	155
Total loans (excluding unearned income)	6,274	17,744	17,564	16,851	3,397	9,006	2,094
Allowance for possible loan losses	70	219	212	195	50	128	21
Net loans	6,204	17,525	17,351	16,657	3,347	8,878	2,074
Lease financing receivables	79	757	264	155	10	117	5
Bank premises, furniture and fixtures, and other assets representing bank premises	214	500	463	335	144	336	65
Real estate owned other than bank premises	34	20	108	61	34	27	13
All other assets	860	3,363	1,093	1,584	232	486	74
Total assets	12,921	33,061	34,042	30,579	6,945	19,289	3,665
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	2,579	4,575	5,005	3,763	1,097	3,172	438
Time and savings deposits of individuals, partnerships and corporations	6,071	9,785	17,573	13,368	3,811	7,732	2,214
Deposits of U.S. government	15	55	47	29	11	75	4
Deposits of states and political subdivisions	267	765	1,728	881	555	699	168
All other deposits	181	1,052	571	882	134	1,810	45
Certified and officers' checks	72	159	222	146	26	81	24
Total deposits in domestic offices	9,184	16,391	25,147	19,068	5,633	13,568	2,893
Demand deposits	2,951	5,861	5,980	4,845	1,381	4,844	533
Time and savings deposits	6,234	10,531	19,166	14,223	4,252	8,725	2,360
Total deposits in foreign offices	670	7,221	1,476	2,706	33	492	0
Total deposits	9,855	23,612	26,623	21,774	5,667	14,060	2,893
Federal funds purchased and securities sold under agreements to repurchase	1,424	3,275	3,988	4,775	577	3,205	414
Interest-bearing demand notes issued to U.S. Treasury	73	169	197	204	20	103	7
Other liabilities for borrowed money	63	1,090	161	354	89	105	38
Mortgage indebtedness and liability for capitalized leases	35	31	45	33	18	85	8
All other liabilities	757	3,264	967	1,575	110	506	51
Total liabilities	12,206	31,442	31,981	28,716	6,481	18,064	3,410
Subordinated notes and debentures	3	61	73	150	11	10	17
<b>Equity Capital</b>							
Preferred stock	0	0		10	0	4	0
Common stock	80	166	358	349	51	165	74
Surplus	175	475	625	470	373	285	79
Undivided profits and reserve for contingencies and other capital reserves	457	919	1,005	884	30	762	86
Total equity capital	712	1,559	1,989	1,712	454	1,215	238
Total liabilities, subordinated notes and debentures and equity capital	12,921	33,061	34,042	30,579	6,945	19,289	3,665
Number of banks with foreign offices	3	4	5	4	1	4	0
Total domestic office assets	12,311	24,660	32,469	27,740	6,904	18,791	3,665

See notes at end of table.

continued

(Dollar amounts in millions)

	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York	Other
<b>Assets</b>	122	5	30	79	43	102	
Assets owned by subsidiaries	\$ 903	\$ 793	\$ 278	\$ 4,804	\$ 547	\$ 4,111	\$ 1,107
Assets owned by subsidiaries	729	165	230	2,931	564	1,430	1,107
Assets owned by subsidiaries	566	94	87	1,329	363	1,817	1,107
Assets owned by subsidiaries	800	243	249	3,152	469	6,444	1,107
Assets owned by subsidiaries	48	42	22	463	13	690	1,107
<b>Total assets</b>	2,143	544	588	7,875	1,410	22,084	1,107
Assets owned by subsidiaries	554	6	127	792	363	6,341	1,107
Assets owned by subsidiaries	4,374	1,546	1,366	15,168	2,740	15,507	1,107
Assets owned by subsidiaries	58	19	13	176	27	1,492	1,107
<b>Total assets</b>	4,316	1,527	1,353	14,992	2,712	15,580	1,107
Assets owned by subsidiaries	68	24	2	134	10	2,099	1,107
Assets owned by subsidiaries	147	82	41	472	118	2,931	1,107
Assets owned by subsidiaries	26	18	2	42	13	210	1,107
Assets owned by subsidiaries	197	77	39	727	123	27,206	1,107
<b>Total assets</b>	8,355	3,071	2,429	29,838	5,295	256,122	26,444
<b>Liabilities</b>	1,175	674	432	6,250	774	20,457	3,920
Liabilities owned by subsidiaries	4,759	1,739	1,428	16,642	2,778	55,193	11,290
Liabilities owned by subsidiaries	16	8	7	49	7	185	50
Liabilities owned by subsidiaries	413	97	135	1,293	830	3,209	724
Liabilities owned by subsidiaries	378	3	18	374	56	9,092	284
Liabilities owned by subsidiaries	44	41	18	273	38	1,390	91
<b>Total deposits in domestic offices</b>	6,785	2,561	2,037	24,880	4,483	89,527	16,360
Demand deposits	1,684	756	512	7,390	930	26,332	4,449
Time and savings deposits	5,101	1,805	1,525	17,489	3,552	63,194	11,911
<b>Total deposits in foreign offices</b>	0	0	0	452	0	96,429	3,156
<b>Total deposits</b>	6,785	2,561	2,037	25,331	4,483	185,956	19,517
Federal funds purchased and securities sold under agreements to repurchase	709	175	171	1,899	335	16,368	3,606
Interest-bearing demand notes issued to U.S. Treasury	20	25	12	113	10	805	117
Other liabilities for borrowed money	8	1	3	41	11	10,933	74
Mortgage indebtedness and liability for capitalized leases	21	4	4	16	4	268	69
All other liabilities	136	58	33	584	71	27,569	1,518
<b>Total liabilities</b>	7,679	2,823	2,261	27,984	4,912	241,898	24,901
Subordinated notes and debentures	28	0	2	47	18	587	118
<b>Equity Capital</b>							
Preferred stock	—	0	0	1	0	8	0
Common stock	95	56	14	332	90	2,489	249
Surplus	123	74	47	486	131	3,851	326
Undivided profits and reserve for contingencies and other capital reserves	429	118	105	987	145	7,290	850
<b>Total equity capital</b>	648	247	166	1,807	365	13,637	1,425
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	8,355	3,071	2,429	29,838	5,295	256,122	26,444
Number of banks with foreign offices	0	0	0	6	0	9	3
Total domestic office assets	8,355	3,071	2,429	29,379	5,295	149,402	24,197

See notes at end of table

continued

(Dollar amounts in millions)

	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island	South Carolina
Number of banks	40	159	210	7	197	5	17
<b>Assets</b>							
Cash and due from depository institutions	\$ 290	\$ 8,342	\$ 1,954	\$ 1,907	\$ 10,355	\$ 1,107	\$ 1,197
U.S. Treasury securities	418	4,273	2,289	464	5,927	269	705
Obligations of other U.S. government agencies and corporations	160	1,685	270	37	3,115	244	275
Obligations of states and political subdivisions	267	4,916	2,185	981	5,572	815	796
All other securities	7	477	166	36	1,250	52	68
Total securities	852	11,351	4,910	1,518	15,864	1,380	1,844
Federal funds sold and securities purchased under agreements to resell	66	2,523	1,303	469	2,095	360	450
Total loans (excluding unearned income)	1,587	26,272	10,800	6,396	34,789	3,289	2,934
Allowance for possible loan losses	18	312	177	61	476	42	39
Net loans	1,569	25,960	10,622	6,336	34,313	3,247	2,895
Lease financing receivables	8	613	33	119	423	244	20
Bank premises, furniture and fixtures, and other assets representing bank premises	48	847	261	183	803	90	83
Real estate owned other than bank premises	8	88	47	79	69	5	8
All other assets	68	1,578	604	795	6,242	554	1,533
Total assets	2,910	51,301	19,733	11,405	70,164	6,988	6,750
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	371	7,704	2,882	1,553	8,604	865	1,460
Time and savings deposits of individuals, partnerships and corporations	1,912	28,719	10,493	6,219	31,856	3,029	3,547
Deposits of U.S. government	4	81	33	28	66	4	7
Deposits of states and political subdivisions	174	1,911	1,812	465	1,563	158	243
All other deposits	25	429	707	98	1,754	41	78
Certified and officers' checks	14	332	128	74	334	27	35
Total deposits of domestic offices	2,500	39,175	16,054	8,437	44,176	4,124	5,380
Demand deposits	423	8,958	3,769	1,822	10,321	986	1,708
Time and savings deposits	2,077	30,217	12,285	6,615	33,855	3,139	3,672
Total deposits of foreign offices	0	843	281	277	6,205	1,096	0
Total liabilities	2,500	40,018	16,335	8,714	50,381	5,220	5,380
Federal funds purchased and securities sold under agreements to repurchase	138	5,655	1,273	1,046	7,754	643	0
Interest-bearing demand notes issued to U.S. Treasury	6	223	79	21	301	21	43
Deposits at Federal Reserve Bank	3	279	211	19	1,244	487	0
Mortgage participation and liability for capitalized leases	5	62	8	12	82	0	0
All other liabilities	42	1,382	357	848	6,151	0	0
Total liabilities	2,695	47,619	18,264	10,660	65,912	6,658	5,423
Surplus funds and other reserves	15	41	66	52	197	37	0
<b>Equity Capital</b>							
Common stock	0	55	12	94	10	0	0
Preferred stock	52	639	238	176	500	1	0
Surplus funds and other reserves	58	1,350	335	432	1,314	10	0
Total equity capital	89	1,597	819	432	1,324	11	0
Total liabilities and equity capital	2,000	3,641	1,403	692	4,005	6,669	5,423
Total assets and liabilities	2,910	51,301	19,733	11,405	70,164	6,988	6,750
Unallocated assets	0	11	4	0	0	0	0
Total assets and liabilities	2,910	50,438	19,723	11,405	69,164	6,988	6,750



*Consolidated foreign and domestic assets, liabilities and capital accounts of national banks December 31  
1983—continued*

(Dollar amounts in millions)

	West Virginia	Washington	Alabama	Florida
Number of banks	102	123	100	100
<b>Assets</b>				
Cash and due from depository institutions	\$ 540	\$ 1,453	\$ 754	\$ 540
U.S. Treasury securities	997	1,325	1,000	1,000
Obligations of other U.S. government agencies and corporations	873	518	1,000	1,000
Obligations of states and political subdivisions	824	1,176	1,000	1,000
All other securities	78	158	9	0
Total securities	2,772	3,177	2,745	2,745
Federal funds sold and securities purchased under agreements to resell	497	437	173	0
Total loans (excluding unearned income)	3,073	7,664	1,473	34
Allowance for possible loan losses	34	84	20	0
Net loans	3,039	7,579	1,453	34
Lease financing receivables	9	78	2	0
Bank premises, furniture and fixtures and other assets representing bank premises	146	283	50	0
Real estate owned other than bank premises	14	22	15	0
All other assets	143	385	71	1
Total assets	7,161	13,413	2,784	68
<b>Liabilities</b>				
Demand deposits of individuals, partnerships and corporations	886	1,965	386	20
Time and savings deposits of individuals, partnerships and corporations	4,724	7,182	1,620	41
Deposits of U.S. government	12	14	7	0
Deposits of states and political subdivisions	174	857	391	0
All other deposits	57	335	21	0
Certified and officers' checks	45	92	19	0
Total deposits in domestic offices	5,896	10,444	2,443	63
Demand deposits	1,040	2,484	478	22
Time and savings deposits	4,856	7,960	1,965	41
Total deposits in foreign offices	0	318	0	0
Total deposits	5,896	10,762	2,443	63
Federal funds purchased and securities sold under agreements to repurchase	512	1,246	46	0
Interest bearing demand notes issued to U.S. Treasury	10	85	2	0
Other liabilities for borrowed money	24	35	13	0
Mortgage indebtedness and liability for capitalized leases	9	9	4	0
All other liabilities	91	335	33	0
Total liabilities	6,541	12,472	2,542	64
Subordinated notes and debentures	2	21	8	0
<b>Equity Capital</b>				
Preferred stock	0	0	0	0
Common stock	88	170	15	0
Surplus	183	299	56	0
Undivided profits and reserve for contingencies and other capital reserves	347	450	163	0
Total equity capital	617	919	234	0
Total liabilities, subordinated notes and debentures and equity capital	7,161	13,413	2,784	68
Number of banks with foreign offices	0	2	0	0
Total domestic office assets	7,161	13,082	2,784	68

\* Nonnational banks in the District of Columbia are supervised by the Comptroller of the Currency. Nonnational bank data are based on U.S. aggregates.

NOTES: Foreign offices are defined to include Edge Act and Agreement subsidiaries in the U.S., branches located in Foreign Countries, Islands and U.S. Trust Territories and branches and subsidiaries located in foreign countries.

Dashes indicate amounts of less than \$500,000.

Data are from the consolidated reports of condition filed quarterly by all national banks. Five national banks are not included in this table, nor is Deposit Insurance National Bank, Oklahoma City, Oklahoma.

Domestic office deposits of national banks by states, December 31, 1983

(Dollars in millions)

State	Assets	Liabilities	Capital	Reserves	Other	Total	Assets	Liabilities	Capital
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Alabama	44	44	4	1	2	51	568	2,078	9,633
Alaska	0	0	4	0	0	4	0	0	0
Arizona	4	4	18	1	0	23	0	7,140	10,119
Arkansas	0	0	4	1	0	5	0	1,954	6,519
California	4,400	4,100	60	38,370	1,076	43,906	5,108	19,350	74,376
Colorado	1,604	600	64	1,487	0	3,155	1,199	1,793	12,280
Connecticut	40	60	10	14	0	64	0	1,126	8,191
Delaware	0	0	0	0	0	0	0	195	1,528
District of Columbia	0	0	0	0	0	0	0	576	8,420
Florida	4,400	1,400	1,000	1,000	1,000	8,800	4,000	8,000	37,661
Georgia	0	0	0	0	0	0	0	0	0
Hawaii	0	0	0	0	0	0	0	0	0
Idaho	0	0	0	0	0	0	0	0	0
Illinois	11,000	1,000	1,000	1,000	1,000	15,000	4,000	13,264	58,259
Indiana	2,000	1,000	600	4,100	1,000	8,700	39	6,441	17,248
Iowa	1,100	411	0	1,000	411	2,922	27	2,843	6,772
Kansas	1,000	437	417	1,000	0	2,854	112	2,449	7,580
Kentucky	1,000	436	103	1,000	0	2,539	0	2,909	8,350
Louisiana	0	0	0	0	0	0	0	2,693	12,716
Maine	0	0	0	0	0	0	0	415	1,540
Maryland	0	0	0	0	0	0	0	2,252	9,184
Massachusetts	4,000	1,000	871	4,100	1,000	10,971	0	1,658	16,391
Michigan	0	0	0	0	0	0	0	7,618	25,147
Minnesota	0	0	0	0	0	0	0	5,017	19,068
Mississippi	1,000	0	0	1,000	0	2,000	0	1,972	5,633
Missouri	0	0	0	0	0	0	0	2,916	13,568
Montana	438	0	0	0	0	438	0	1,157	2,893
Nebraska	1,100	0	0	1,100	0	2,200	0	2,793	6,785
Nevada	0	0	0	0	0	0	0	499	2,561
New Hampshire	43	0	0	0	0	43	0	449	2,037
New Jersey	0	0	0	0	0	0	0	6,370	24,880
New Mexico	0	0	0	0	0	0	0	984	4,482
New York	10,400	0	0	10,400	0	20,800	10,510	16,883	89,527
North Carolina	1,000	0	0	1,000	0	2,000	118	4,250	16,360
North Dakota	0	0	0	0	0	0	0	1,126	2,500
Ohio	0	0	0	0	0	0	0	12,422	39,175
Oklahoma	0	0	0	0	0	0	0	3,623	16,054
Oregon	0	0	0	0	0	0	0	2,478	8,437
Pennsylvania	0	0	0	0	0	0	0	13,012	44,776
Rhode Island	0	0	0	0	0	0	0	970	4,114
South Carolina	0	0	0	0	0	0	0	1,331	5,080
South Dakota	0	0	0	0	0	0	0	1,680	5,026
Tennessee	0	0	0	0	0	0	0	2,832	2,106
Texas	0	0	0	0	0	0	0	12,870	85,476
Utah	0	0	0	0	0	0	0	1,041	4,312
Vermont	0	0	0	0	0	0	0	231	711
Virginia	0	0	0	0	0	0	0	1,300	11,027
Washington	0	0	0	0	0	0	0	4,664	16,980
West Virginia	0	0	0	0	0	0	0	413	2,990
Wisconsin	0	0	0	0	0	0	0	1,041	10,411
Wyoming	0	0	0	0	0	0	0	0	0

*Domestic office loans of national banks, by states, December 31, 1983*

(Dollar amounts in millions)

	Total loans gross	Loans secured by real estate	Loans to financial institutions	Loans to purchase or carry securities	Loans to farmers	Commercial and industrial loans	Loans to individuals	Loans to other	Loans to other
All national banks	\$663 916	\$192,245	\$44,418	\$9,547	\$18 351	\$245 311	\$129 541	\$14 501	\$63 441
Alabama	5 990	1 664	103	46	80	2 068	1 801	29	41
Alaska	1,065	425	26		2	423	180	9	106
Arizona	7 707	2 179	519	209	425	2 146	3 128	101	674
Arkansas	4 210	1,438	181	79	162	1 480	785	84	4 119
California	107 348	40,853	6,520	1 230	3 543	33 555	16 266	5 380	100 159
Colorado	8 986	2,772	261	168	576	3 142	1 828	240	8 954
Connecticut	5 618	1,788	340	32	13	1 951	1 307	181	5 481
Delaware	3,149	145	2	0	1	79	2 871	53	3 148
District of Columbia	5 414	1,711	470	96	1	2,005	633	498	1 361
Florida	22 425	8,825	592	86	113	5,714	6 512	583	21 654
Georgia	9,336	2 249	564	53	46	3 338	2 891	196	5 608
Hawaii	95	48	0	0		29	19		95
Idaho	2,996	883	127	23	325	862	733	42	2 964
Illinois	54 828	11 534	5,107	1 341	1 176	26 454	7 330	1 686	54 369
Indiana	10 267	3 696	755	71	282	2,806	2 502	155	10 036
Iowa	4 039	1 119	105	79	828	991	849	68	4 018
Kansas	4 486	892	138	101	833	1 518	926	79	4 450
Kentucky	5 403	1 592	310	111	251	1 648	1 397	94	5 278
Louisiana	7,859	2,274	198	65	50	3 037	2 026	209	7 673
Maine	943	383	1		3	297	251	8	942
Maryland	5,911	2,339	261	60	43	2,012	1,109	88	5 844
Massachusetts	13 205	3 007	1,260	98	32	6 583	1 944	281	13 032
Michigan	16 996	5,481	1,201	57	145	6,279	2 872	961	16 936
Minnesota	15 739	4 075	857	682	806	6,564	2 028	726	15 592
Mississippi	3,523	1 169	101	74	83	1 054	970	73	3 395
Missouri	8 598	2,045	749	255	372	3 179	1 832	166	8 513
Montana	2 131	501	18	1	333	828	424	26	2 094
Nebraska	4,391	678	166	85	1 456	1,042	859	105	4 374
Nevada	1,596	701	50		13	394	424	13	1 546
New Hampshire	1 436	510	10	2	1	425	477	11	1 366
New Jersey	15 388	5,536	677	74	7	5 233	3 557	305	15 036
New Mexico	2,805	739	105	23	133	1 082	688	35	2 740
New York	84 551	16,254	10 634	1 399	440	36 292	13 713	5 819	83 335
North Carolina	12,624	3,277	745	99	161	4 674	3 328	340	12 448
North Dakota	1 593	374	36	1	325	569	269	19	1 587
Ohio	26 493	8 395	1 416	388	339	8,048	7,422	485	25 803
Oklahoma	10 920	2 963	424	295	749	4 401	1 545	543	10 799
Oregon	6 385	2 011	685	153	214	2 093	1 148	81	6 329
Pennsylvania	32,054	8,703	3,906	410	166	11 510	6 210	1 149	31 385
Rhode Island	3 176	979	194	79		1 264	523	137	3 146
South Carolina	3,050	820	58	5	42	943	1 133	50	2 954
South Dakota	6 048	510	12	2	706	648	4 100	70	6 076
Tennessee	7 432	2,115	464	82	89	2 600	1 859	224	7 288
Texas	67 910	19 453	3 035	1 143	1 795	32 001	8 747	1 735	63 602
Utah	3,103	1,331	36	29	63	889	703	53	3 076
Vermont	489	238			11	129	106	4	485
Virginia	8 509	3 111	166	58	128	2 028	2 796	701	8 129
Washington	13,500	3,992	399	42	534	5 295	2 803	436	13 404
West Virginia	3 216	1 346	72	10	12	615	1 130	31	3 203
Wisconsin	7 499	2,703	357	147	263	2 542	1 293	190	7 433
Wyoming	1 484	419	8	6	180	556	298		1 484
District of Columbia all*	5 450	1 731	470	96	1	2 005	633	498	1 361

\* Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Federal Reserve Bank of New York.

NOTE: Dashes indicate amounts of less than \$500 000. Figures may not add to totals due to rounding.

# Outstanding balances credit cards and related plans of national banks, December 31, 1983

(Dollar amounts in thousands)

	Total number of national banks	Credit cards and other related credit plans	
		Number of national banks	Outstanding balance
<b>Alaska</b>	4,751†	2,039	\$34,869,700
Alabama	77	25	181,775
Alaska	6	5	52,967
Arizona	5	3	512,789
Arkansas	73	11	40,817
California	134	103	5,900,530
Colorado	208	168	569,164
Connecticut	14	7	290,238
Delaware	14	12	2,530,999
District of Columbia	17	15	113,754
Florida	193	77	1,178,765
Georgia	59	28	816,748
Hawaii	3	1	3,005
Idaho	7	5	100,841
Illinois	402	164	3,124,154
Indiana	114	74	415,922
Iowa	100	43	282,762
Kansas	156	26	137,059
Kentucky	77	27	178,044
Louisiana	60	19	334,961
Maine	9	8	43,957
Maryland	25	10	84,488
Massachusetts	66	52	413,966
Michigan	124	88	1,040,857
Minnesota	202	127	180,555
Mississippi	34	4	80,801
Missouri	124	40	633,323
Montana	54	27	20,272
Nebraska	122	35	196,417
Nevada	5	3	41,550
New Hampshire	30	24	48,853
New Jersey	79	54	406,353
New Mexico	43	9	114,300
New York	108	58	3,816,297
North Carolina	20	16	681,972
North Dakota	40	20	12,939
Ohio	159	107	1,365,714
Oklahoma	210	49	184,854
Oregon	7	3	284,681
Pennsylvania	197	52	734,716
Rhode Island	5	4	114,029
South Carolina	17	13	194,433
South Dakota	29	13	3,736,617
Tennessee	69	16	319,713
Texas	380	215	1,171,005
Utah	7	4	105,653
Vermont	11	3	9,934
Virginia	55	19	548,251
Washington	23	11	1,054,049
Washington, D.C.	102	17	60,061
West Virginia	123	100	396,140
Wisconsin	52	25	7,716
<b>Total</b>	18	15	113,754

† Data for Alaska and Hawaii are based on information furnished by the Comptroller of the Currency, Federal Reserve Bank of San Francisco, and the Federal Reserve Bank of Dallas, Texas, and the Federal Reserve Bank of Kansas City, Missouri.

*Consolidated assets and liabilities of national banks with foreign operations. December 31, 1983*  
(Dollar amounts in millions)

	Assets	Liabilities and equity
Cash and due from depository institutions	112,026	112,026
U.S. Treasury securities	312,393	312,393
Obligations of other U.S. government agencies and corporations	1,189	1,189
Obligations of states and political subdivisions in the United States	4,173	4,173
Other bonds, notes and debentures	1,641	1,641
Federal Reserve stock and corporate stock	1,213	1,213
Trading account securities	4,495	4,495
Federal funds sold and securities purchased under agreements to resell	18,358	18,358
Loans, total (excluding unearned income)	556,970	474,974
Less: Allowance for possible loan losses	6,877	6,877
Loans, net	550,093	468,097
Lease financing receivables	10,334	8,741
Bank premises, furniture and fixtures, and other assets representing bank premises	12,975	11,315
Real estate owned other than bank premises	1,733	1,631
Investments in unconsolidated subsidiaries and associated companies	1,376	783
Customers' liability on acceptances outstanding	47,833	37,538
Other assets	22,475	44,723
<i>Total assets</i>	<i>947,440</i>	<i>709,850</i>
Demand deposits of individuals, partnerships and corporations	112,026	112,026
Time and savings deposits of individuals, partnerships and corporations	312,393	312,393
Deposits of U.S. government	1,189	1,189
Deposits of states and political subdivisions in the United States	18,182	18,182
Deposits of foreign governments and official institutions	6,183	6,183
Deposits of commercial banks	33,587	33,587
Certified and officers' checks	5,247	5,247
Total deposits in domestic offices	488,808	488,808
Total demand deposits	141,300	141,300
Total time and savings deposits	347,508	347,508
Total deposits in foreign offices*	213,568	NA
<i>Total deposits</i>	<i>702,376</i>	<i>488,808</i>
Federal funds purchased and securities sold under agreements to repurchase	95,060	94,746
Interest-bearing demand notes issued to the U.S. Treasury	4,546	4,546
Other liabilities for borrowed money	24,116	11,656
Mortgage indebtedness and liabilities for capitalized leases	1,191	180
Banks' liability on acceptances executed and outstanding	48,095	40,308
Other liabilities	23,407	40,192
<i>Total liabilities</i>	<i>898,792</i>	<i>681,436</i>
Subordinated notes and debentures	2,553	2,518
Preferred stock	83	83
Common stock	8,178	8,178
Surplus	14,300	14,300
Undivided profits	23,261	23,261
Reserve for contingencies and other capital reserves	274	274
<i>Total equity capital</i>	<i>46,036</i>	<i>40,096</i>
<i>Total liabilities, subordinated notes and debentures and equity capital</i>	<i>944,828</i>	<i>721,532</i>
Number of banks	35	

\* For reporting purposes, foreign offices include Edge and Agreement subsidiaries located in the U.S. and territories of Puerto Rico, U.S. Virgin Islands and U.S. Trust Territories.

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states year ended  
December 31, 1983  
(Dollar amounts in millions)

Total of States	Allied	Chase	Com	First	Man	Met	NY	Rock	Tru	Wells	Wor
4,574	77	6	6	6	6	6	6	6	6	6	6
\$9,681 10,779	\$11 10	\$138 10									
5,335	10	7	1								
11,906	20	28	131								
5,729	11	28	61								
1,121	6	1									
1,371	7	1	17								
2,405	30	12	13								
3,040	47	12	69								
5,077	39	16	37								
4,442	20		30								
14,585	1,292	249	1,321								
19,955	209	57	247								
13,445	33	21	53								
19,913	13	0	2								
37,606	444	54	566								
10,971	88	14	56								
4,465	15	1	8								
356	3	0	4								
6,614	69	21	77								
6,840	39	4	63								
13,105	137	30	119								
13,324	1,141	202	1,195								
10,340	150	46	126								
2,278	17	9	40								
8,362	133	37	96								
120	3	1	2								
1,01	1		2								
1,01	2	1	1								
8,052	132	38	96								
43	—	1	0								
8,095	132	39	96								
4,185	49	5	39								
23	—	0	0								
4,208	49	5	39								
1,299	18	2	11								
6,703	49	4	63								
5,404	32	2	52								

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states year ended December 31, 1983 (Dollar amounts in millions)

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states year ended December 31, 1983 (Dollar amounts in millions)

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states year ended December 31, 1983 (Dollar amounts in millions)

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states year ended December 31, 1983 (Dollar amounts in millions)

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states year ended December 31, 1983 (Dollar amounts in millions)

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states year ended December 31, 1983 (Dollar amounts in millions)

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states year ended December 31, 1983 (Dollar amounts in millions)

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states year ended December 31, 1983 (Dollar amounts in millions)

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states year ended December 31, 1983 (Dollar amounts in millions)



*Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, year ended  
December 31, 1983—continued*  
(Dollar amounts in millions)

	Connecticut	Delaware	District of Columbia	Florida	Georgia	Idaho
	14	14	18	193	59	1
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	\$645 123	\$345 7	\$613 157	\$2 518 300	\$1 078 119	\$1 078 119
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	19	8	31	299	68	7
Interest on obligations of states and political subdivisions in the U.S.	41	11	122	652	198	200
Interest on other securities (including dividends on stock)	60	2	74	271	133	200
Interest from lease financing	3	2	2	17	2	1
Interest from fiduciary activities	8			8	17	1
Service charges on deposit accounts	45	8	28	99	35	13
Other service charges, commissions, and fees	31	3	34	155	102	13
Other operating income	47	64	17	208	46	13
	12	6	17	76	40	1
<i>Total operating income</i>	1 033	454	1,095	4 602	1,836	542
Operating expenses						
Salaries and employee benefits	202	36	165	752	313	87
Interest on time certificates of \$100,000 or more (issued by domestic offices)	49	53	161	278	115	44
Interest on deposits in foreign offices	34		155	40	29	1
Interest on other deposits	330	44	223	1,725	534	219
Expense of federal funds purchased and securities sold under agreements to repurchase	108	26	91	305	223	42
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	19	67	14	11	8	5
Interest on subordinated notes and debentures	1	1	1	3	15	2
Occupancy expense of bank premises, net, and furniture and equipment expense	68	9	68	286	106	20
Provision for possible loan losses	16	48	42	132	50	20
Other operating expenses	99	86	81	619	252	63
<i>Total operating expenses</i>	926	369	1,000	4,150	1,644	500
Income before income taxes and securities gains or losses						
Applicable income taxes	107	85	95	452	191	43
Income before securities gains or losses	23	41	13	83	22	6
	84	45	82	369	169	37
Securities gains (losses) gross	3	0	3	(6)	1	2
Applicable income taxes	1	0	2	(3)		1
Securities gains (losses) net	2	0	1	(3)	1	1
Income before extraordinary items						
Extraordinary items net	86	45	81	366	170	38
				3		3
Net income	86	45	81	369	170	41
Cash dividends declared on common stock						
Cash dividends declared on preferred stock	36	18	31	140	71	29
		3	0	0	0	0
Total cash dividends declared	36	21	31	140	71	29
Recoveries credited to allowance for possible loan losses	12	8	7	40	22	5
Losses charged to allowance for possible loan losses	28	34	34	124	58	18
Net loan losses	16	26	27	84	36	13



*Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, year ended  
December 31, 1983—continued*  
(Dollar amounts in millions)

	Illinois	Indiana	Iowa	Kansas	Kentucky	Missouri
	402	114	100	156	64	19
Interest on federal funds sold and securities purchased under agreements to resell	\$7 733	\$1 188	\$512	\$537	\$629	\$404
Interest on deposits with depository institutions	931	152	14	8	19	18
Interest on federal funds sold and securities purchased under agreements to resell	297	98	56	62	72	6
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	915	328	158	183	184	103
Interest on obligations of states and political subdivisions in the U.S.	371	122	55	68	73	103
Interest on other securities (including dividends on stock)	94	26	3	7	10	7
Interest on lease financing	25	16	1	2	13	7
Interest on federal funds sold and securities purchased under agreements to resell	191	49	14	17	11	21
Service charges on deposit accounts	136	53	18	22	26	52
Other service charges, commissions, and fees	367	35	18	21	36	52
Other operating income	311	49	8	10	11	17
Total operating income	11 370	2 114	857	937	1 078	1 556
Operating expenses						
Salaries and employee benefits	1 240	298	103	129	155	251
Interest on time certificates of \$100 000 or more (issued by domestic offices)	1 175	153	40	80	82	251
Interest on deposits in foreign offices	2 513	16	2	0	8	5
Interest on other deposits	2 475	923	411	393	419	471
Expense of federal funds purchased and securities sold under agreements to repurchase	1 070	179	53	49	102	117
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	383	24	4	6	11	6
Interest on subordinated notes and debentures	32	2	2	1	1	2
Occupancy expense of bank premises, net, and furniture and equipment expense	419	107	34	40	55	93
Provision for possible loan losses	621	66	47	38	43	79
Other operating expenses	722	191	107	91	103	163
Total operating expenses	10 648	1 959	802	828	978	1 439
Income before income taxes and securities gains or losses						
Income before income taxes	722	155	55	108	100	217
Income before securities gains or losses	157	7	3	19	9	40
Income before securities gains or losses	565	148	52	89	90	177
Securities gains (losses) gross	1	1	—	6	1	(8)
Applicable income taxes	(1)	—	—	2	(3)	(3)
Securities gains (losses) net	2	1	—	3	1	(5)
Income before extraordinary items						
Extraordinary items net	568	149	52	86	90	171
Net income	2	—	2	—	—	0
Cash dividends declared on common stock						
Cash dividends declared on preferred stock	570	149	54	86	90	172
Total cash dividends declared						
Cash dividends declared on common stock	254	69	26	42	32	68
Cash dividends declared on preferred stock	1	2	1	—	—	—
Total cash dividends declared	255	71	26	42	32	68
Recoveries credited to allowance for possible loan losses						
Losses charged to allowance for possible loan losses	92	19	6	7	11	19
Net loan losses	668	74	46	35	44	83
Net loan losses	576	55	40	28	33	64



*Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, year ended  
December 31, 1983—continued*  
(Dollar amounts in millions)

	Maryland	Massachu- setts	Michigan	Minnesota	Missis- sippi	Missouri	Nebraska
	25	66	124	202	34	124	14
Operating income	\$688	\$2 469	\$1 944	\$1 830	\$406	\$1 055	\$244
Operating expenses	134	421	363	218	31	172	12
Interest on time certificates of \$100,000 or more (issued by domestic offices)	40	93	106	77	37	166	13
Interest on deposits in foreign offices	123	233	370	291	112	193	44
Interest on other deposits	65	89	164	161	58	100	17
Expense of federal funds purchased and securities sold under agreements to repurchase	45	55	25	6	6	3	1
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	9	102	19	6	2	8	1
Interest on subordinated notes and debentures	19	118	73	55	7	53	1
Occupancy expense of bank premises, net, and furniture and equipment expense	52	52	87	54	24	30	9
Provision for possible loan losses	20	140	100	106	15	60	10
Other operating expenses	28	162	68	137	6	59	4
Total operating income	1 222	3 934	3 317	2 939	703	1 804	358
Operating expenses	243	575	515	329	104	261	48
Salaries and employee benefits	50	275	277	345	68	258	21
Interest on time certificates of \$100,000 or more (issued by domestic offices)	59	840	132	204	4	47	20
Interest on deposits in foreign offices	441	514	1,238	849	281	446	170
Expense of federal funds purchased and securities sold under agreements to repurchase	113	425	283	416	55	251	17
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	16	405	39	63	3	17	3
Interest on subordinated notes and debentures	—	6	6	13	1	2	2
Occupancy expense of bank premises, net, and furniture and equipment expense	89	168	167	93	34	95	15
Provision for possible loan losses	24	94	126	143	34	66	18
Other operating expenses	122	322	313	250	72	208	41
Total operating expenses	1,157	3,623	3,098	2,704	656	1,649	334
Income before income taxes and securities gains or losses	65	311	219	236	47	155	34
Applicable income taxes	(2)	109	23	32	(5)	20	6
Income before securities gains or losses	67	202	196	204	52	135	28
Securities gains (losses) gross	1	6	(7)	(4)	2	3	—
Applicable income taxes	—	3	(4)	(2)	1	1	—
Securities gains (losses) net	1	3	(3)	(2)	1	2	—
Income before extraordinary items	67	205	193	202	54	137	28
Extraordinary items net	(1)	—	2	0	—	—	—
Net income	67	205	195	202	54	137	28
Cash dividends declared on common stock	21	76	117	74	20	65	20
Cash dividends declared on preferred stock	0	—	—	1	0	—	—
Total cash dividends declared	21	76	117	75	20	65	20
Recoveries credited to allowance for possible loan losses	13	31	39	20	7	19	3
Losses charged to allowance for possible loan losses	29	106	139	113	38	68	17
Net loan losses	26	75	100	93	31	49	14

Percent of total operating income							
Interest on deposits	45 0	41 4	49 7	47 6	50 2	41 6	51 9
Other interest expense	10 6	21 3	9 9	16 7	8 4	15 0	6 0
Salaries and employee benefits	19 9	14 6	15 5	11 2	14 8	14 5	13 0
Other noninterest expense	19 2	14 8	18 3	16 5	19 9	20 5	20 1
Total operating expenses	94 7	92 1	93 4	92 0	93 3	91 4	90 8
Ratio of net income to total equity capital (end of period)-percent	9 4	13 1	9 8	11 8	11 9	11 3	11 7

See notes at end of table

*Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, year ended  
December 31, 1983—continued*  
(Dollar amounts in millions)

	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York	Ohio
Income before income taxes	122	5	30	79	43	100	100
Income before securities gains or losses	\$542	\$191	\$167	\$1,607	\$334	\$2,411	\$1,616
Income before securities gains or losses	3	45	7	194	19	100	100
Income before securities gains or losses	70	6	8	110	40	100	100
Income before securities gains or losses	140	25	30	408	34	40	40
Income before securities gains or losses	57	16	18	179	37	40	40
Income before securities gains or losses	3	3	2	36	1	40	40
Income before securities gains or losses	7	4	7	13	1	40	40
Income before securities gains or losses	16	6	6	43	6	40	40
Income before securities gains or losses	17	20	5	78	17	40	40
Income before securities gains or losses	56	4	6	75	15	40	40
Income before securities gains or losses	9	6	2	44	5	40	40
Total operating income	920	325	251	2,794	557	2,411	2,411
Operating expenses							
Salaries and employee benefits	120	59	43	477	86	3,369	3,369
Interest on time certificates of \$100,000 or more (issued by domestic offices)	55	44	14	139	92	1,341	1,341
Interest on deposits in foreign offices	0			37	0	9,460	9,460
Interest on other deposits	381	95	101	1,136	201	3,293	3,293
Expense on federal funds purchased and securities sold under agreements to repurchase	72	10	10	144	30	1,684	1,684
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	4	2	2	18	2	2,111	2,111
Interest on subordinated notes and debentures	2			4	2	51	51
Occupancy expense of bank premises, net, and furniture and equipment expense	44	20	15	162	30	1,166	1,166
Provision for possible loan losses	44	11	5	55	25	774	774
Other operating expenses	107	41	35	310	59	2,193	2,193
Total operating expenses	830	282	224	2,476	526	25,601	25,601
Income before income taxes and securities gains or losses	90	44	27	318	42	2,619	2,619
Applicable income taxes	14	12	4	57	2	1,059	1,059
Income before securities gains or losses	76	32	23	261	40	1,559	1,559
Securities gains (losses) gross	—	—	—	(6)	3	29	29
Applicable income taxes	—	—	—	(3)	1	70	70
Securities gains (losses) net	—	—	—	(3)	2	20	20
Income before extraordinary items	76	32	23	258	42	1,579	1,579
Extraordinary items net	—	—	—	6	0	—	—
Net income	76	32	23	264	42	1,579	1,579
Cash dividends declared on common stock	37	13	7	102	16	43	43
Cash dividends declared on preferred stock	—	—	—	1	—	—	—
Total cash dividends declared	37	13	7	103	16	43	43
Provision credited to allowance for possible loan losses	7	4	1	22	6	41	41
Losses charged to allowance for possible loan losses	40	12	5	51	28	904	904
Net loan losses	33	8	4	29	22	663	663



*Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, year ended  
December 31, 1983—continued*

(Dollar amounts in millions)

	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Richmond
	40	159	210	7	197	5
<b>Operating income</b>						
Interest income on loans	\$188	\$2 987	\$1 296	\$716	\$3 856	\$3 366
Interest on time deposits with depository institutions	9	402	24	50	605	54
Interest on federal funds sold and securities purchased under agreements to resell	9	254	121	50	259	10
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	58	634	252	57	888	47
Interest on obligations of states and political subdivisions in the U.S.	18	333	166	64	394	41
Income from all other securities (including dividends on stock)	1	21	5	1	56	2
Income from lease financing	1	63	6	8	43	25
Income from fiduciary activities	2	148	33	24	174	25
Service charges on deposit accounts	6	145	53	50	106	11
Other service charges, commissions and fees	5	165	31	22	175	20
Other operating income	3	69	62	23	148	33
<b>Total operating income</b>	299	5 220	2 049	1 065	6 705	642
<b>Operating expenses</b>						
Salaries and employee benefits	36	812	273	183	953	91
Interest on time certificates of \$100 000 or more (issued by domestic offices)	17	340	466	62	692	65
Interest on deposits in foreign offices	0	76	15	5	520	69
Interest on other deposits	164	2 058	580	460	2 129	181
Expense of federal funds purchased and securities sold under agreements to repurchase	5	457	124	47	649	65
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	2	52	20	5	128	16
Interest on subordinated notes and debentures	1	3	7	5	61	3
Occupancy expense of bank premises, net, and furniture and equipment expense	12	272	87	45	305	22
Provision for possible loan losses	25	212	205	51	166	26
Other operating expenses	28	527	193	104	543	70
<b>Total operating expenses</b>	290	4 808	1 969	967	6 145	618
<b>Income before income taxes and securities gains or losses</b>						
Applicable income taxes	9	412	80	98	560	33
Income before securities gains or losses	4	26	(11)	10	74	(6)
Securities gains (losses) gross	14	387	91	87	486	39
Applicable income taxes	—	39	7	1	8	—
Securities gains (losses) net	—	18	2	—	3	—
Income before extraordinary items	—	21	5	—	5	—
Extraordinary items net	14	365	96	87	481	39
Net income	0	9	—	—	1	2
Cash dividends declared on common stock	14	374	96	87	482	41
Cash dividends declared on preferred stock	9	330	65	44	246	16
Total cash dividends declared	—	4	0	—	1	0
Recoveries credited to allowance for possible loan losses	9	334	65	44	247	16
Losses charged to allowance for possible loan losses	4	56	28	12	54	6
Net loan losses	25	239	199	57	172	31
	21	183	171	45	118	25



*Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states year ended  
December 31, 1983—continued*  
(Dollar amounts in millions)

	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington
<b>Operating income</b>	29	69	880	7	11	1	1
<b>Operating expenses</b>							
Salaries and employee benefits	\$834	\$836	\$7 686	\$373	\$59	1 470	1 470
Interest on time certificates of \$100 000 or more (issued by domestic offices)	8	96	815	40	1	1	1
Interest on deposits in foreign offices	8	115	656	36	4	1	1
Interest on other deposits	71	213	961	30	1	1	1
Expense on federal funds purchased and securities sold under agreements to repurchase	22	87	782	27	1	1	1
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	1	8	21	3	1	1	1
Interest on subordinated notes and debentures	3	5	26	6	1	1	1
Provision for possible loan losses	10	30	205	9	1	1	1
Other operating expenses	189	55	281	24	2	4	4
<b>Total operating income</b>	4	85	249	17	2	6	6
<b>Operating income</b>	1 150	1 587	11 896	577	84	1 170	1 170
<b>Operating expenses</b>							
Salaries and employee benefits	70	270	1 355	81	14	259	259
Interest on time certificates of \$100 000 or more (issued by domestic offices)	182	116	2 465	72	2	79	79
Interest on deposits in foreign offices	0	6	926	14	0	1	1
Interest on other deposits	246	556	2 517	181	42	652	652
Expense on federal funds purchased and securities sold under agreements to repurchase	75	161	1 394	38	1	91	91
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	3	11	121	5	1	19	19
Interest on subordinated notes and debentures	2	1	63	5	4	4	4
Provision for possible loan losses	25	90	401	23	5	81	81
Other operating expenses	81	45	1 427	33	2	30	30
<b>Total operating expenses</b>	204	175	1 026	76	9	181	181
<b>Total operating income</b>	888	1 430	11 694	529	75	1 397	1 397
<b>Income before income taxes and securities gains or losses</b>	262	157	202	47	9	174	174
Applicable income taxes	115	33	(185)	6	2	31	31
<b>Income before securities gains or losses</b>	147	124	387	42	8	143	143
Securities gains (losses) gross	—	—	1	1	—	(14)	—
Applicable income taxes	—	—	1	—	—	(6)	—
<b>Securities gains (losses) net</b>	—	—	—	—	—	(7)	—
<b>Income before extraordinary items</b>	147	124	387	42	8	126	126
Extraordinary items net	0	—	—	0	—	—	—
<b>Net income</b>	147	124	387	42	8	126	126
Cash dividends declared on common stock	14	55	338	18	3	56	56
Cash dividends declared on preferred stock	0	0	1	0	0	0	0
<b>Total cash dividends declared</b>	14	55	339	18	3	56	56
Provision credited to allowance for possible loan losses	31	17	94	3	1	12	12
Losses charged to allowance for possible loan losses	102	56	1 174	23	2	33	33
<b>Net loan losses</b>	71	38	1 080	20	1	21	21



*Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, year ended  
December 31, 1983—continued*  
(Dollar amounts in millions)

	West Virginia	Wisconsin	Wyoming	District of Columbia nonnational*
<b>Nonnational bank</b>	102	123	52	1
<b>Operating income</b>				
Interest and fees on loans	\$350	\$ 868	\$194	\$ 4
Interest on call loans with depository institutions	20	39	8	—
Interest on federal funds sold and securities purchased under agreements to resell	59	55	15	1
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	194	177	45	2
Interest on obligations of states and political subdivisions in the U.S.	54	80	21	—
Income from all other securities (including dividends on stock)	4	8	—	—
Income from lease financing	1	13	—	—
Income from fiduciary activities	10	22	3	—
Service charges on deposit accounts	11	31	9	—
Other service charges, commissions, and fees	9	85	5	—
Other operating income	8	24	3	1
<b>Total operating income</b>	719	1,402	303	8
<b>Operating expenses</b>				
Salaries and employee benefits	93	206	42	1
Interest on time certificates of \$100,000 or more (issued by domestic offices)	39	114	34	—
Interest on deposits in foreign offices	0	25	0	—
Interest on other deposits	345	528	127	2
Expense of federal funds purchased and securities sold under agreements to repurchase	46	114	4	—
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	3	15	1	—
Interest on subordinated notes and debentures	—	2	1	—
Occupancy expense of bank premises, net, and furniture and equipment expense	28	63	13	—
Provision for possible loan losses	14	46	29	1
Other operating expenses	69	152	30	1
<b>Total operating expenses</b>	638	1,266	280	6
<b>Income before income taxes and securities gains or losses</b>	81	136	23	2
Applicable income taxes	10	29	1	1
<b>Income before securities gains or losses</b>	72	107	22	1
Securities gains (losses), gross	—	(2)	1	—
Applicable income taxes	—	(1)	—	—
<b>Securities gains (losses), net</b>	—	(1)	1	—
<b>Income before extraordinary items</b>	72	106	23	1
Extraordinary items, net	—	6	0	1
<b>Net income</b>	72	111	23	1
Cash dividends declared on common stock	37	50	18	—
Cash dividends declared on preferred stock	0	—	0	—
<b>Total cash dividends declared</b>	37	50	18	—
Recoveries credited to allowance for possible loan losses	4	10	3	—
Losses charged to allowance for possible loan losses	16	46	28	1
<b>Net loan losses</b>	12	36	25	1
<b>Percent of total operating income</b>				
Interest on deposits	53.4	47.6	53.1	25.0
Other interest expense	6.8	9.3	2.0	—
Salaries and employee benefits	12.9	14.7	13.9	12.5
Other operating expense	15.4	18.6	23.8	25.0
Total operating expense	88.7	90.3	92.4	75.0
<b>Total income as percent of total equity (capital end of period), percent</b>	11.7	12.1	9.8	25.0

\*Nonnational banks in the District of Columbia are supervised by the Comptroller of the Currency. Nonnational bank data are not included in the FDIC report.

†Banks are required to include Edge Act and Agreement subsidiaries in the U.S. branches located in Puerto Rico, the Virgin Islands, Guam, Trust Territories and branches and subsidiaries located in foreign countries.

‡Banks with assets less than \$500,000.

§Banks are required to file reports of income filed quarterly by all national banks. Five national noninsured trust companies are also required to file reports of income quarterly. National Bank, Oklahoma City, Oklahoma.

*National banks engaged in lease financing, December 31, 1983*  
(Dollar amounts in thousands)

	<i>Total number of national banks</i>	<i>Number of banks engaged in lease financing</i>	<i>Average of lease financing as percentage of total assets</i>
All national banks	4 751†	1 059	\$9 702 787
Alabama	77	18	38 908
Alaska	6	2	4 499
Arizona	5	1	112 544
Arkansas	73	15	22 096
California	134	41	3 388 224
Colorado	208	78	133 559
Connecticut	14	2	43 594
Delaware	14	0	0
District of Columbia	17	5	28 220
Florida	193	29	81 214
Georgia	59	15	143 010
Hawaii	3	1	1 012
Idaho	7	3	68 156
Illinois	402	86	119 870
Indiana	114	30	176 884
Iowa	100	27	12 430
Kansas	156	32	20 974
Kentucky	77	15	132 864
Louisiana	60	10	74 936
Maine	9	1	3 163
Maryland	25	7	78 671
Massachusetts	66	14	557 596
Michigan	124	20	262 466
Minnesota	202	60	154 928
Mississippi	34	6	10 291
Missouri	124	30	117 183
Montana	54	15	4 620
Nebraska	122	42	68 391
Nevada	5	1	23 681
New Hampshire	30	2	1 486
New Jersey	79	14	134 159
New Mexico	43	22	9 608
New York	108	27	741 678
North Carolina	20	7	392 194
North Dakota	40	14	8 106
Ohio	159	60	612 563
Oklahoma	210	75	33 302
Oregon	7	2	119 207
Pennsylvania	197	16	407 961
Rhode Island	5	2	242 640
South Carolina	17	2	20 426
South Dakota	29	8	1 064
Tennessee	69	21	43 718
Texas	880	100	415 419
Utah	7	3	101 299
Vermont	11	0	0
Virginia	55	6	74 148
Washington	23	10	37 223
West Virginia	102	13	8 654
Wisconsin	123	32	77 502
Wyoming	52	17	2 439
District of Columbia—all*	18	5	28 220

\* Includes the nonnational bank in the District of Columbia, which is also supervised by the Comptroller of the Currency

† Excludes five noninsured national trust companies with total assets of \$9.5 million, and Deposit Insurance National Bank, Oklahoma City, Oklahoma, with total assets of approximately \$6 million

# Loan losses and recoveries of national banks, 1970-1983

(Dollar amounts in thousands)

Year	Total loans at domestic offices end of year net*	Net loan losses at domestic offices	Ratio of net losses to loans net (Percent)	Total loans foreign and domestic end of year net*	Total net loan losses†	Ratio of net losses to loans net (Percent)
1970	\$ 78 486 891	\$ 601 734	0.35			
1971	130 808 411	666 190	0.35			
1972	256 384 846	545 473	0.24			
1973	66 937 532	731 633	0.27			
1974	713 733 965	1 193 730	0.41			
1975	287 362 220	2 047 643	0.71			
1976	279 833 480	1 819 748	0.61	\$372 458 078	\$2 105 582	0.57
1977	340 605 630	1 380 261	0.41	429 317 723	1 670 903	0.39
1978	390 104 999	1 277 398	0.33	490 142 134	1 438 705	0.29
1979	437 689 952	1 477 753	0.34	547 397 282	1 539 866	0.28
1980	465 167 672	2 049 228	0.44	594 393 705	2 203 955	0.37
1981	516 221 242	2 025 603	0.39	662 016 033	2 272 702	0.34
1982	581 048 800	3 658 156	0.63	720 457 100	4 137 800	0.57
1983	645 543 100	4 706 419	0.73	777 938 700	5 403 200	0.69

\* Loans used in all years are net of reserves; after 1975, loans are also net of unearned discount.

† Beginning in 1976, national banks report consolidated loan losses and recoveries including those on loans at foreign offices.

NOTE: For earlier data, see *Annual Reports of the Comptroller of the Currency*, 1947, p. 100; 1968, p. 233; and 1975, p. 161.

**Assets and liabilities of national banks, date of last report of condition, 1972-1983**  
(Dollar amounts in millions)

Year	Number of banks	Consolidated foreign and domestic assets					Liabilities		Total equity capital <sup>a</sup>
		Total assets*	Cash and due from banks	Total securities*	Loans, net*	Other assets	Total deposits	Other liabilities <sup>b</sup>	
1972	4,614	\$ 485,181	\$ 91,345	\$105,195	\$253,538	\$ 35,103	\$ 412,316	\$ 44,499	\$28,366
1973	4,661	564,714	108,128	106,833	303,931	45,822	470,143	63,675	30,896
1974	4,708	624,300	112,790	109,376	345,527	56,607	519,536	71,191	33,573
1975	4,744	648,350	117,715	128,163	347,686	54,786	540,492	71,204	36,654
1976	4,737	704,329	126,437	139,472	372,458	65,962	582,246	80,758	41,325
1977	4,655	796,851	150,508	143,219	429,318	73,806	654,057	97,795	44,999
1978	4,564	892,272	170,146	146,155	490,142	85,829	717,057	126,008	49,207
1979	4,448	996,281	188,554	155,395	547,397	104,935	785,272	156,713	54,296
1980	4,425	1,095,123	204,453	175,055	594,394	121,221	857,692	177,560	59,871
1981	4,454	1,200,901	205,523	180,253	662,016	153,109	922,829	212,374	65,698
1982	4,579	1,297,158	207,709	198,373	720,457	170,619	991,442	233,992	71,724
1983	4,751	1,393,112	215,217	228,579	777,939	171,377	1,078,065	236,001	79,046

\* For years 1972-1975, data are net of securities and loan reserves. Since 1975, data are net of valuation reserves and unearned discount on loans.

† Includes subordinated capital notes and debentures.

NOTE: For earlier data on domestic office assets and liabilities, see *Annual Report of the Comptroller of the Currency*, 1977, p. 200.

**Assets and equity capital, net income, and dividends of national banks, 1967-1983**  
(Dollars in millions)

Year	Number of banks	Total assets* (foreign and domestic)	Capital stock (par value)			Net income before dividends	Cash dividends on capital stock	Ratios (percent)			Dividends to total equity
			Preferred	Common	Total			Net income before dividends to total assets	Net income before dividends to total equity capital	Cash dividends to net income before dividends	
1967	4 758	NA	\$ 55	\$ 5 312	\$ 5 367	\$1 757	\$ 796	NA	9 50	45 30	4 42
1968	4 716	NA	58	5 694	5 752	1 932	897	NA	9 53	46 43	4 43
1969	4 669	NA	62	6 166	6 228	2 534	1 068	NA	11 45	42 15	4 82
1970	4 621	NA	63	6 457	6 520	2 829	1 278	NA	11 93	45 17	5 39
1971	4 600	NA	43	6 785	6 828	3 041	1 390	NA	11 87	45 71	5 42
1972	4 614	\$ 489 403	42	7 458	7 500	3 308	1 310	68	11 72	39 60	4 64
1973	4 661	569 451	37	7 904	7 941	3 768	1 449	66	12 18	38 46	4 68
1974	4 708	629 568	13	8 336	8 349	4 044	1 671	64	12 05	41 32	4 98
1975	4 744	658 751	14	8 809	8 823	4 259	1 821	65	11 61	42 76	5 00
1976	4 737	704 329	19	9 106	9 125	4 591	1 821	65	11 11	39 66	4 41
1977	4 655	796 851	25	9 552	9 577	5 139	1 994	64	11 42	38 80	4 41
1978	4 564	892 272	29	9 912	9 941	6 173	2 196	69	12 54	35 57	4 46
1979	4 448	996 281	31	11 403	11 434	7 247	2 650	73	13 35	36 57	4 88
1980	4 425	1 095 123	34	11 939	11 973	7 666	2 951	70	12 80	38 50	4 93
1981	4 454	1 200 901	38	12 797	12 835	8 201	3 381	68	12 48	41 22	5 15
1982	4 579	1 297 158	115	13 501	13 616	8 236	3 808	63	11 48	46 24	5 31
1983	4 751	1 393 112	176	14 178	14 354	8 095	4 207	58	10 24	51 98	5 32

\* Data are not exactly comparable because assets through 1975 are net of reserves on loans and securities and since then are net of valuation reserves and unearned discount on loans. Also equity capital beginning for 1976 is reported including certain portions of the reserves on loans and securities which were not reported separately for the years 1969-1975.

*Total loans and leases past due at national banks, by states, December 31, 1983*  
(Dollar amounts in millions)

	Number of banks*	Type of loan					
		Real estate	Commercial and industrial	Personal	All other	Total domestic loans†	Foreign
Reporting national banks	4,709	\$9,764	\$17,180	\$3,534	\$4,623	\$35,849	\$8,632
Alabama	77	55	91	58	20	234	—
Alaska	6	24	26	3	1	55	—
Arizona	5	108	128	46	64	346	26
Arkansas	73	74	74	19	15	189	—
California	132	3,243	3,219	415	1,888	8,779	2,480
Colorado	205	123	259	68	64	551	—
Connecticut	13	73	120	51	16	259	7
Delaware	14	8	4	122	3	140	—
District of Columbia	18	43	82	12	15	154	48
Florida	175	350	304	143	66	878	27
Georgia	59	67	128	55	32	286	32
Hawaii	3	1	5	1	—	7	—
Idaho	7	42	71	16	15	144	—
Illinois	400	567	2,647	236	392	3,925	862
Indiana	114	139	97	63	42	360	14
Iowa	100	39	38	18	39	165	1
Kansas	156	28	49	22	32	152	—
Kentucky	77	86	82	34	17	232	16
Louisiana	60	81	224	66	16	394	—
Maine	9	15	10	7	—	34	—
Maryland	25	84	67	25	11	192	40
Massachusetts	65	172	287	72	69	603	329
Michigan	124	272	307	71	50	723	43
Minnesota	202	232	289	54	95	710	104
Mississippi	34	61	48	32	13	156	—
Missouri	124	93	172	52	39	374	97
Montana	54	27	37	16	24	117	—
Nebraska	122	25	31	18	62	177	—
Nevada	5	32	16	6	10	63	—
New Hampshire	30	14	14	11	1	43	—
New Jersey	76	213	161	72	28	482	9
New Mexico	43	23	62	20	11	126	—
New York	107	835	2,335	467	490	4,138	3,637
North Carolina	20	52	161	51	48	313	44
North Dakota	40	15	27	7	28	92	—
Ohio	158	410	412	157	84	1,085	63
Oklahoma	210	129	435	59	47	730	—
Oregon	7	105	187	25	72	389	12
Pennsylvania	197	336	497	167	197	1,211	268
Rhode Island	4	39	68	14	26	146	10
South Carolina	17	24	28	21	12	87	—
South Dakota	29	18	36	144	56	261	—
Tennessee	69	90	93	49	18	276	2
Texas	874	539	2,539	226	207	3,604	339
Utah	7	155	41	25	10	231	—
Vermont	11	10	11	3	1	26	—
Virginia	55	129	57	65	8	264	3
Washington	23	283	810	71	119	1,287	104
West Virginia	100	68	43	42	2	159	—
Wisconsin	122	92	204	25	45	388	14
Wyoming	52	21	50	16	4	112	—

\* Does not include five national, noninsured trust companies, one bank that failed to file December 1983 reports, banks with no loans outstanding as of the report date or the nonnational bank in the District of Columbia.

† Sum of Real estate, Commercial and industrial, Personal and All other past due loans and leases is less than the Total domestic because nonaccrual loans are not reported by loan type by banks filing the abbreviated Report of Condition and as a result are counted in the total figure only.

NOTE: Dashes indicate amounts of less than \$500,000; a blank space indicates that the state has no national banks with foreign offices.

*Average national banks' percent of loans past due at domestic offices, by assets*

	Assets in millions of dollars									
	Less than \$10	\$10 to \$20	\$20 to \$25	\$25 to \$40	\$40 to \$100	\$100 to \$300	\$300 to \$900	\$900 to \$5 000	\$5 000 or more	All national banks
Real estate										
December 1982	43	44	45	43	40	46	48	54	60	44
March 1983	33	43	47	44	41	46	50	56	68	43
June 1983	31	39	45	39	37	40	43	46	55	39
September 1983	29	39	38	42	36	40	39	42	54	38
December 1983	29	37	43	41	36	41	37	43	54	38
Commercial and industrial										
December 1982	45	51	48	52	49	59	58	65	65	52
March 1983	45	51	53	51	49	60	64	66	75	53
June 1983	35	47	51	49	45	53	62	66	71	48
September 1983	45	49	56	49	44	53	60	62	77	49
December 1983	43	52	51	47	43	50	53	54	72	48
Personal										
December 1982	31	36	39	37	34	31	27	28	27	34
March 1983	26	36	38	35	33	29	27	28	24	33
June 1983	24	35	36	33	31	26	27	23	23	30
September 1983	25	34	35	34	31	26	24	24	22	30
December 1983	29	37	35	37	32	28	24	25	23	32
All other										
December 1982	30	34	33	33	33	35	37	37	47	34
March 1983	26	34	41	33	38	43	40	36	56	37
June 1983	21	30	39	31	32	37	29	34	45	31
September 1983	30	33	28	28	32	42	35	32	43	33
December 1983	31	30	29	33	30	36	32	29	41	32
Total loans										
December 1982	35	43	45	46	45	45	45	49	54	44
March 1983	30	45	49	48	47	46	49	51	62	46
June 1983	27	41	45	45	44	41	45	48	57	42
September 1983	29	41	45	46	43	41	43	44	56	42
December 1983	32	43	46	47	44	42	40	41	54	43

See notes at end of tables

*Average national banks' percent of loans past due at foreign offices, by assets*

	Assets in millions of dollars			
	\$300 to \$900	\$900 to \$5 000	\$5 000 or more	A verage banks
All foreign office loans				
December 1982	6.9	8.5	5.6	7.6
March 1983	11.5	8.9	5.7	8.4
June 1983	17.9	8.9	7.8	9.6
September 1983	23.2	11.2	8.9	11.2
December 1983	11.2	13.7	9.8	12.2

NOTES:

These figures include non-accrual and past due loan and lease financing receivables.

**Past due loans**—These items are (1) single payment notes 30 days or more past maturity; (2) single payment notes with interest due at specified intervals and demand notes on which interest is due and unpaid for 30 days or more; (3) amortizing real estate loans and closed-end monthly installment loans and lease financing receivables in arrears two or more monthly payments, or, if scheduled other than monthly, when one scheduled payment is due and unpaid for 30 days or more; (4) open-end credit accounts on which the customer has not made the minimum monthly payment for two or more billing cycles; and (5) unplanned overdrafts outstanding 30 days or more after origination.

**Non-accrual loans**—These items are (1) those maintained on a cash basis because of deterioration in the financial position of the borrower; and (2) those on which principal or interest has been in default for a period of 90 days or more unless the obligation is both well secured and in the process of collection, in which case it is considered merely past due.

**Average banks' percent of loans past due**—Percentages reported are averages of individual banks' percentages of loans past due with each bank accorded the same weight regardless of size; those individual bank percentages are based on dollar value of loans past due. All figures are as of the last day of the month indicated.

**Loan categories**—The loan categories for this table correspond to those for the report of condition except for "Other loans." "Other loans" includes loans to financial institutions, loans for purchasing or carrying securities, loans to farmers and all other loans not included in the specified categories.

Data for prior periods, based on slightly different definitions, may be found in the *Quarterly Journal*, Volume 2, Number 1, pp. 229–232.



# Office of the Comptroller of the Currency—Financial Statements

## December 31, 1983

### Balance Sheets

Assets	December 31	
	1983	1982
Current assets:		
Cash .....	\$ 466,840	\$ 324,232
Receivables:		
Travel advances .....	2,014,915	1,594,580
Accounts receivable .....	924,894	889,524
Accrued interest .....	1,063,052	313,052
Total receivables .....	4,002,861	2,797,156
Investment securities (note 2) .....	18,999,255	42,465,616
Prepaid expenses and other assets .....	722,488	590,427
Total current assets .....	24,191,444	46,177,431
Investment securities—long-term (note 2) .....	22,965,509	7,761,996
Fixed assets and leasehold improvements:		
Furniture, equipment and software .....	8,722,629	7,867,614
Leasehold improvements .....	7,140,713	6,210,156
	15,863,342	14,077,770
Less accumulated depreciation and amortization .....	6,826,403	5,803,585
Net fixed assets and leasehold improvements .....	9,036,939	8,274,185
	<u>\$56,193,892</u>	<u>\$62,213,612</u>
<b>Liabilities and Comptroller's Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses .....	9,051,367	4,538,458
Accrued travel and salaries .....	3,357,714	6,815,142
Total current liabilities .....	12,409,081	11,353,600
Long-term liabilities:		
Accumulated annual leave .....	7,219,785	6,766,809
Unclaimed properties (note 3) .....	145,946	144,039
Total liabilities .....	19,774,812	18,264,448
Comptroller's equity:		
Unrestricted .....	36,419,080	43,949,164
Total Comptroller's equity .....	36,419,080	43,949,164
Commitments and contingencies (notes 3, 4, and 5)	<u>\$56,193,892</u>	<u>\$62,213,612</u>

See accompanying notes to financial statements.

# Office of the Comptroller of the Currency—Financial Statements

## December 31, 1983

### Statements of Revenue, Expenses and Changes in Comptroller's Equity

	Years ended December 31	
	1983	1982
Revenue		
Semiannual assessments	\$126,880,357	\$111,501,241
Examinations and investigations	11,198,491	12,168,780
Investment income	7,254,079	7,796,485
Publication sales	200,119	263,888
Other	220,135	203,030
Total revenue	<u>145,753,181</u>	<u>131,933,424</u>
Expenses		
Salaries	93,135,677	84,005,987
Retirement and other employee benefits	10,789,389	7,933,045
Travel and per diem	14,878,339	11,458,037
Rent and maintenance	7,994,540	7,155,559
Communications	2,815,198	2,480,234
Moving and shipping	4,665,885	1,305,888
Employee education and training	3,948,393	4,023,340
Data processing	6,436,663	3,936,930
Printing, reproduction and subscriptions	1,190,770	1,120,251
Office machine repairs and rentals	1,413,297	863,700
Depreciation and amortization	1,241,880	1,008,422
Supplies	931,769	706,375
Consulting services	2,087,600	1,023,529
Interagency support programs	632,430	970,751
Conferences	425,280	237,364
Remodeling	313,264	108,356
Other	382,891	305,797
Total expenses	<u>153,283,265</u>	<u>128,643,565</u>
Excess (deficiency) of revenue over expenses	<u>(7,530,084)</u>	<u>3,289,859</u>
Comptroller's equity at beginning of year	43,949,164	40,659,305
Comptroller's equity at end of year	<u>\$ 36,419,080</u>	<u>\$ 43,949,164</u>

See accompanying notes to financial statements

# Office of the Comptroller of the Currency—Financial Statements

## December 31, 1983

### Statements of Changes in Financial Position

	Years ended December 31	
	1983	1982
Financial resources were provided by:		
Operations:		
Excess (deficiency) of revenue over expenses	\$( 7,530,084)	\$ 3,289,859
Charges not affecting working capital:		
Additions to accumulated annual leave	1,223,200	1,401,280
Depreciation and amortization	1,241,880	1,008,422
Amortization of premium and discount on long-term Government obligations, net	(391,013)	176,759
Net loss (gain) on sale of fixed assets	(1,366)	7,562
Working capital provided by (used in) operations	(5,457,383)	5,883,882
Long-term U.S. Government obligations transferred to current assets	—	1,975,702
Proceeds from sale of fixed assets	109,689	7,048
Net proceeds from unclaimed properties (note 3)	1,907	2,184
Total	(5,345,787)	7,868,816
Financial resources were used for:		
Purchase of fixed assets	1,981,957	956,629
Payment of accrued leave	770,225	642,395
Purchase of computer software	131,000	—
Purchase of long-term securities	14,812,500	—
	17,695,682	1,599,024
Increase (decrease) in working capital	\$(23,041,469)	\$ 6,269,792
Analysis of changes in working capital:		
Increase (decrease) in current assets:		
Cash	142,608	(474,225)
Investment securities	(22,748,185)	5,996,897
Accrued interest	31,824	221,238
Accounts receivable	35,370	(200,720)
Travel advances	420,335	(60,104)
Prepaid expenses and other assets	132,060	39,131
	\$(21,985,988)	\$ 5,522,217
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	(4,512,909)	391,137
Accrued travel and salaries	3,457,428	356,438
	(1,055,481)	747,575
Increase (decrease) in working capital	\$(23,041,469)	\$ 6,269,792

See accompanying notes to financial statements.

# Office of the Comptroller of the Currency—Financial Statements

## December 31, 1983

### Notes to Financial Statements

#### (1) General Information and Summary of Significant Accounting Policies

##### (a) General Information

The Office of the Comptroller of the Currency (Comptroller's Office) was created by an Act of Congress for the purpose of establishing and regulating a national banking system. The National Currency Act of 1863, rewritten and reenacted as The National Bank Act of 1864, created the Comptroller's Office and provided for its supervisory functions and the chartering of banks.

##### (b) Investment Securities

Investment securities are U.S. Treasury obligations stated at amortized cost. Premiums and discounts on investment securities are amortized on a straight-line basis to maturity.

##### (c) Fixed Assets and Leasehold Improvements

Furniture, equipment and software are stated at cost less accumulated depreciation calculated on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 10 years. Leasehold improvements are stated at cost less accumulated amortization computed over the terms of the related leases (including renewal options) or the estimated useful lives, whichever is shorter. Expenditures for maintenance and repairs are charged to earnings as incurred. Significant renovations of assets are capitalized.

##### (d) Federal Income Taxes

The Comptroller's Office is exempt from Federal income taxes.

#### (2) Investment Securities

Following is a summary of investment securities at December 31:

Description	1983			1982		
	Amortized cost	Market	Par value	Amortized cost	Market	Par value
U.S. Treasury bills due through December 31, 1984	\$18,999,255	\$19,014,327	\$19,920,000	—	—	—
U.S. Treasury bills due through December 31, 1983	—	—	—	\$42,465,616	\$42,465,616	\$43,920,000
Total short-term investment securities	18,999,255	19,014,327	19,920,000	42,465,616	42,465,616	43,920,000
U.S. Treasury notes due June 30, 1985, 10%	14,854,756	14,887,500	15,000,000	—	—	—
U.S. Treasury notes due February 15, 1987, 9.00%	8,110,753	8,682,960	9,200,000	7,761,996	8,860,520	9,200,000
Total long-term investment securities	22,965,509	23,570,460	24,200,000	7,761,996	8,860,520	9,200,000
Total investments	\$41,964,764	\$42,584,787	\$44,120,000	\$50,227,612	\$51,326,136	\$53,120,000

#### (3) Closed Receivership Funds and Unclaimed Properties

The Comptroller's Office has custody of unclaimed properties recovered from safe deposit boxes of closed national banks. The Comptroller's Office has sold a portion of such properties, and continues to hold the remaining assets. Cash receipts generated by sales of unclaimed safe deposit box contents have accumulated \$145,946 and \$144,136 at December 31, 1983 and 1982, respectively. These amounts are recorded as liability on the balance sheet. It is the intention of the Comptroller's Office and its successor

to the receivers of closed national banks, to dispose of the remaining unclaimed safe deposit box contents, the value of which is undetermined at this date and, accordingly, has not been recognized in the accompanying financial statements.

#### (4) Commitments

The Comptroller's Office occupies office space in Washington, D.C. under a lease agreement which provided for an initial 5-year term with five consecutive 5-year renewal options. During 1978, the first of these options, expiring in 1984, was exercised. In addition, regional and subregional offices lease space under agreements which expire at various

dates through 1990. Minimum rental commitments under leases in effect at December 31, 1983 are as follows:

1984	\$ 4,206,000
1985	2,417,000
1986	2,008,000
1987	780,000
1988	533,000
1989 and after	753,000
	<u>\$10,697,000</u>

Certain of the leases provide that annual rentals may be adjusted to provide for increases in taxes

and other related expenses. Total rental expense under operating leases was \$6,511,000 and \$5,948,000 for the years ended December 31, 1983 and 1982, respectively.

(5) *Contingencies*

Various banks in the District of Columbia have deposited securities with the Comptroller's Office as collateral for those banks entering into and administering trust activities. These securities, having a par or stated value of \$14,293,000, are not assets of the Comptroller's Office and accordingly are not included in the accompanying financial statements.

# Opinion of Independent Accountant

Peat Marwick Mitchell & Co.  
Certified Public Accountants

1990 K Street N.W.  
Washington, D.C. 20006

The Comptroller of the Currency

We have examined the balance sheets of Office of the Comptroller of the Currency as of December 31, 1983 and 1982, and the related statements of revenue, expenses and changes in Comptroller's equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Office of the Comptroller of the Currency at December 31, 1983 and 1982, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

March 16, 1984

*Peat, Marwick, Mitchell & Co.*

# Index

- Accounting for international loan fees, 3
- Assets, liabilities and capital accounts of national banks
  - consolidated, of banks with foreign operations, Dec 31, 1983, 131
  - consolidated foreign and domestic, by states, Dec 31, 1983, 120–127
  - at date of last report of condition, 1972–1983, 149
  - in 1982 and 1983, 118
- Assets and equity capital, net income, and dividends of national banks, 1967–1983, 150
- Average banks' percent of loans past due, by assets, 152, 153
- Bank failures, 21–22
- Bank holding company procedures, 29
- Bank regulatory agencies, revision of, 11, 19–20
- Bank service corporations, 28–29
- Bankers' banks, 29
- Brokered deposits, 12–13, 19, 20–24
- Bush Task Force, 11, 19–20
- Changes in the structure of the national banking system, calendar 1983, 117
- Check clearing, 30–31, 35–37
- Competition in financial services, 7–8, 13–17
- Comptroller of the Currency:
  - district offices, inside back cover
  - financial statements, Dec 31, 1983, 155
  - interpretive letters of, Jan 15 and Mar 15, 1984, 39–56
  - merger decisions of, Jan 1 to Mar 31, 1984, 57–114
  - speeches by, 7–8, 9–11, 12–13, 18–20, 33–35
  - testimony of, 20–24, 24–32, 35–37
- Condition of the national banking system, 1983, 1
- Conover, C. T.
  - speeches by, 7–8, 9–11, 12–13, 18–20, 33–35
  - testimony of, 20–24, 24–32, 35–37
- Consolidated assets and liabilities of national banks with foreign operations, Dec 31, 1983, 131
- Consolidated foreign and domestic assets and liabilities of national banks, Dec 31, 1983, 120–127
- Consumer banks, 25, 27
- Corporate reorganizations, mergers consummated pursuant to, Jan 1 to Mar 31, 1984, 59, 105–114
- Credit cards and related plans of national banks, balances outstanding, by states, Dec 31, 1983, 130
- Credit cards, fraudulent use of, 32
- Deposit availability, 30–31, 35–37
- Deposit insurance, 12–13, 19, 20–24
- Deregulation of financial services, 7–8, 9–11, 13–17, 24–32
- Domestic offices of national banks
  - deposits in, by states, Dec 31, 1983, 128
  - loans in, by states, Dec 31, 1983, 129
- Financial Institutions Deregulation Act, 26
- Financial Services Competitive Equity Act, 8, 10, 24–32
- Financial statements of the OCC, 155
- Foreign banks in the U.S., treatment of, 18–19
- Foreign branches and agencies, interpretive letter on, 53
- Foreign offices, assets of national banks with, Dec 31, 1983, 131
- Funds Availability Act, 35–37
- Future of commercial banks, 33–35
- Glass-Steagall Act, interpretive letter on, 41
- Green, Eugene, article by, 3
- H.R. 5301, 35–37
- Income and expenses of national banks
  - of foreign and domestic offices and subsidiaries, year ended Dec 31, 1983, 132–146
  - in 1982 and 1983, 119
- Interest on reserves, 29–30
- Interest rate ceilings, state, 31
- International loan fees, 3
- Interpretive letters of OCC, Jan 15 and Mar 15, 1984, 39–56
- Interstate banking, 10, 14, 25, 32
- Lease financing by national banks, by states, Dec 31, 1983, 147
- Leasing transactions, consumer, 30
- Loan fees, international, 3
- Loans in domestic offices of national banks, by states, Dec 31, 1983, 129
- Loans, past due:
  - total, by states, 151
  - average banks' percent, 152, 153
- Mergers resulting in national banks
  - consummated involving a single operating bank, Jan 1 to Mar 31, 1984, 59, 105–114
  - consummated involving two operating banks, Jan 1 to Mar 31, 1984, 57–58, 61–104
- National banking system:
  - condition of, 1
  - structural changes in, calendar 1983, 117
- National banks
  - assets, equity capital, net income and dividends of national banks, 1967–1983, 150
  - assets, liabilities and capital accounts:
    - at date of last report of condition, 1972–1983, 149
    - consolidated, of banks with foreign offices, Dec 31, 1983, 131
    - consolidated foreign and domestic, by states, Dec 31, 120–127
    - in 1982 and 1983, 118
  - condition of, 1983, 1
  - credit card balances of, Dec 31, 1983, 130
  - deposits in domestic offices of, Dec 31, 1983, 128
  - engaged in lease financing, Dec 31, 1983, 147
  - income and expenses of:
    - by states, year ended Dec 31, 1983, 132–146
    - in 1982 and 1983, 119
  - loan losses and recoveries of, 1970–1983, 148
  - loans in domestic offices of, 129
  - mergers resulting in, Jan 1 to Mar 31, 1984, 57–114
  - past due loans of, 151, 152, 153
  - real estate activities of, 29
- National treatment of banks, 18–19
- Outstanding balances, credit cards and related plans of national banks, Dec 31, 1983, 130
- Past due loans
  - by assets, 152, 153
  - total, by states, 151
- Reagan, Woodrow W., article by, 1
- Regulation:
  - of banks, revision of, 11, 19–20
  - brokered deposits, 12, 19, 20–24
- S. 1609, 26
- S. 2181, 24032
- S. 2134, 24
- Smith, Brian W., speech by, 13
- South Dakota loophole, 29
- Speeches and Congressional testimony of the OCC, 7–37
- Statistical tables, 115–153
- Structural changes in the national banking system, calendar 1983, 117

12 USC 1841 interpretive letter on 41, 45  
12 USC 184 interpretive letter on 41  
12 USC 18 interpretive letter on 41  
12 USC 18 interpretive letter on 41  
12 USC 184 interpretive letter on 41  
12 USC 184 interpretive letter on 51  
12 USC 371 interpretive letter on 55  
12 USC 371c interpretive letter on 51  
12 USC 377 interpretive letter on 41  
12 USC 378 interpretive letter on 41  
12 USC 484 interpretive letter on 45

12 USC 1841 interpretive letter on 51  
12 USC 3102 interpretive letter on 53  
12 CFR 2 interpretive letter on 54  
12 CFR 5.34 interpretive letter on 45  
12 CFR 7.3025 interpretive letter on 47  
12 CFR 7.7495 interpretive letter on 45  
12 CFR 9 interpretive letter on 41  
12 CFR 29 interpretive letter on 55

Usury ceilings 25, 31







### Northeastern District

New York District Office  
1211 Avenue of the Americas  
Suite 4750  
New York, NY 10036

FTS 8 262 3499  
Commercial 212 944 3495

### Central District

Chicago District Office  
Pears Tower Suite 5100  
133 South Wacker Dr  
Chicago, IL 60606

FTS 8 333 0400  
Commercial 312 353 0300

### Southwestern District

Dallas District Office  
1201 Elm St Suite 3500  
Dallas, TX 75210

FTS 8 761 4400  
Commercial 214 761 4400

### Southeastern District

Atlanta District Office  
Peachtree Park Tower  
Suite 2700  
729 Peachtree St. NE  
Atlanta, GA 30303

FTS 8 242 4976  
Commercial 404 221 4976

### Midwestern District

Kansas City District Office  
911 Main St Suite 1616  
Kansas City, MO 64105

FTS 8 338 4400  
Commercial 816 338 4400

### Western District

San Francisco District Office  
50 Fremont Street  
Suite 3900  
San Francisco, CA 94105

Commercial 415 545 5900



701 / 10011/3/821207/ 1  
FEDERAL RESERVE BANK OF ST. LOUIS  
ST. LOUIS  
RESEARCH LIBRARY

